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IN THE

Supreme Court of the United States

PIZZA HUT, INC.,

Petitioner,

v.

PAPA JOHN'S INTERNATIONAL, INC.;
PAPA JOHN'S USA, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

PETITION FOR A WRIT OF CERTIORARI

THOMAS C. MORRISON
PATTERSON, BELKNAP, WEBB & TYLER LLP
1133 Avenue of the Americas
New York, NY 10036-6710
(212) 336-2650

CARTER G. PHILLIPS*
VIRGINIA A. SEITZ
SIDLEY & AUSTIN
1722 Eye Street, N.W.
Washington, D.C. 20006
(202) 736-8000

ROBERT W. MILLEN
PIZZA HUT, INC.
14841 N. Dallas Parkway
Dallas, TX 75240
(972) 338-7661

Counsel for Petitioner

* Counsel of Record

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QUESTION PRESENTED

Whether, in a false advertising claim under section 43(a) of the Lanham Act, a plaintiff who has demonstrated that a competitor's advertising is false and misleading and deceives consumers must also show that deceived consumers actually relied on the misrepresentation at issue in making purchasing decisions to prove that the misrepresentation was material.

PARTIES TO THE PROCEEDING

All parties to the proceeding are listed in the caption of the case. Tricon Global Restaurants, Inc., is the parent corporation of Pizza Hut, Inc. No other publicly held company owns 10% or more of Pizza Hut, Inc.'s stock.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Pizza Hut, Inc. ("Pizza Hut") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fifth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App. 1a-28a) was entered on September 19, 2000, and is reported at 227 F.3d 489 (5th Cir. 2000). The final judgment and opinion of the United States District Court for the Northern District of Texas denying respondents' motion for judgment as a matter of law (App. 29a-68a) was issued on January 3, 2000, and is reported at 80 F. Supp. 2d 600. The district court's denial of respondents' final motion for judgment as a matter of law or for a new trial (App. 69a-70a) was entered on February 15, 2000, and is not reported.

JURISDICTION

The court of appeals entered its decision and judgment on September 19, 2000. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTE INVOLVED

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides in relevant part:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any . . . false or misleading representation of fact, which – . . .
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

INTRODUCTION

In recent decades, advertising has taken on a central role in our national economy. As a direct result, false advertising litigation has come to play a significant part in ensuring that the national marketplace remains free of deception and misrepresentation. The false advertising prohibition in the Lanham Act has thus emerged from obscurity to become one of the primary vehicles for unfair competition litigation. Despite clarifying amendments to this provision of the Act in 1988, there are numerous unresolved issues in false advertising litigation in the federal courts, including the issue presented by this petition. See Jean W. Burns, *Confused*

Jurisprudence: False Advertising Under the Lanham Act, 79 B.U. L. Rev. 807, 871 (1999).

In this case, the Fifth Circuit overturned a jury verdict even though the court of appeals agreed that respondent Papa John's had misrepresented facts related to its product by making purported empirical demonstrations of the superiority of its ingredients and taste in a $300 million advertising campaign, and thus had deceived consumers in violation of the Act. The court took this remarkable step on the legal ground that the misrepresentation at issue was not "material." Specifically, the court held that a misrepresentation is not material unless the plaintiff has presented evidence that deceived consumers *actually relied* on the misrepresentation in making a purchasing decision. This materiality test joins the other, very different formulations of materiality employed by federal courts, which focus on the proper role of the materiality inquiry – the weeding out of innocuous misstatements unlikely to affect consumer decisions. The decision below thus adds to the confusion created by the varied pronouncements and is manifestly in conflict with the tests employed by other courts of appeals.

The Fifth Circuit's actual reliance standard for materiality is also flatly inconsistent with this Court's established case law concerning the meaning of materiality in federal statutes involving civil and criminal misrepresentations. As explained most recently in *Neder* v. *United States*, 527 U.S. 1, 16 (1999), a misrepresentation is material if it has "a natural tendency to influence or [is] capable of influencing, the decision of the decisionmaking body to which it was addressed" (internal quotation marks omitted). The federal courts have never employed a consistent test of materiality in Lanham Act cases, and the Fifth Circuit's actual reliance test has now elevated that confusion into a conflict among the courts of appeals.

This conflict has substantial practical implications. As noted, the increasing importance of advertising to our national

economy has increased the significance of false advertising litigation in maintaining the clean flow of commercial information. Indeed, there is a strong public interest in having competitors enforce the nation's advertising laws, rather than leaving the entire task to the Federal Trade Commision. Accordingly, the number of false advertising claims under the Lanham Act is growing. The upshot of the current confusion and conflict is that parties and the courts needlessly expend significant resources.

Moreover, the uncertainty about the law governing advertising alters the information provided to consumers in contravention of the vital role advertising is supposed to play in the national economy. See *Central Hudson Gas & Elec. Corp.* v. *Public Serv. Comm'n*, 447 U.S. 557, 561-62 (1980). Doctrinal confusion also distorts the balance that the Lanham Act struck between the First Amendment interest in free commercial expression and the strong governmental interest in preventing deceptive commercial speech. Finally, the continued confusion and conflict undermine the Lanham Act's ability to provide "a federal law of unfair competition" in recognition of the national scope of our economy. S. Rep. No. 100-515, at 40 (1988). It is both unduly burdensome and fundamentally unfair to subject businesses to different advertising rules solely as a function of whether the campaign is running in the Fifth Circuit, on the one hand, or the Second or Third Circuits, on the other. Of course, when the advertising is nationwide in scope, the differing standards promote unseemly forum shopping that exacerbates the problems inherent in the lack of uniformity.

The Fifth Circuit's decision is also wrong. It ignores the purpose of a materiality inquiry; indeed, it is in substantial tension with the language of section 43(a) which requires that a Lanham Act plaintiff show only that he or she is "*likely* to be damaged" by the misrepresentation at issue. 15 U.S.C. § 1125(a) (emphasis supplied). The appropriate legal test for materiality is the test used by several courts of appeals and

articulated by this Court in the line of cases including *Neder* – the natural tendency test. Here, the answer to the question whether a reasonable consumer of pizza would have his or her purchasing decisions affected by a false belief that one pizza contains demonstrably "better ingredients" is plainly yes. Representations about the quality of ingredients have a natural tendency to affect a consumer's decisions in purchasing any food item or, at the very least, are capable of influencing such decisions, and thus are "material" under the Lanham Act.

In sum, this Court should grant the petition to dispel the confusion and end the conflict on this important and recurring question of federal law.

STATEMENT OF THE CASE

1. In this case, the jury found, and the district court and court of appeals affirmed, that Papa John's $300 million advertising campaign, purporting to prove that its pizza was demonstrably better than that of Pizza Hut because it used demonstrably better ingredients – the "Better Ingredients. Better Pizza." advertising campaign – made false and misleading statements that deceived consumers. But the court of appeals vacated the jury's verdict and ordered the district court to enter judgment notwithstanding the verdict for Papa John's on the ground that the false and misleading statements in the advertising campaign were not "material" and thus could not provide the basis for a violation of section 43(a) of the Lanham Act.

2. Pizza Hut is the largest pizza chain in the United States. In 1984, John Schnatter founded Papa John's Pizza; it is now the third largest national pizza chain. App. 2a.

In May 1995, Papa John's adopted a new advertising slogan: "Better Ingredients. Better Pizza." Since that time, Papa John's has invested $300 million in this campaign and has embossed the slogan on its signs, shirts, menus, boxes,

and other items; the slogan is also the summary line of Papa John's radio, television and print advertisements. App. 3a.

In May 1997, in an effort to blunt the impact of Pizza Hut's announcement of its $50 million program to improve the quality of its pizzas, Papa John's commenced a national advertising campaign centered on its "Better Ingredients. Better Pizza." slogan. The campaign, which lasted for more than two years, was designed by Papa John's advertising agency as a series of advertising "chapters," each of which would empirically demonstrate the truth of the title of the advertising "book," *i.e.*, "Better Ingredients. Better Pizza."

Papa John's initial television spots featured Pizza Hut's co-founder, Frank Carney, claiming that Papa John's pizza was better than Pizza Hut pizza. Carney had departed from the pizza business in the 1980's; the ads asserted that he had become a Papa John's franchisee "because he liked the taste of Papa John's pizza better than any other pizza on the market." App. 3a. These advertisements were "remarkably successful"; Papa John's sales increased 11.6% over its sales the previous May, and Pizza Hut's sales decreased 8%. *Id.*

Following up on the success of the Carney campaign, in February 1988, Papa John's launched a second series of advertisements declaring the alleged results of taste tests in which consumers compared Papa John's and Pizza Hut's pizzas. The ads bragged that Papa John's had "won big time" in these taste tests, claiming that consumers preferred Papa John's traditional crust and thin crust pizzas to Pizza Hut's comparable pizzas. App. 4a. In fact, in Papa John's taste tests (which did not include Pizza Hut's best selling Pan Pizza product) Papa John's was not preferred. *Id.* at 39a.[1]

---

[1] Pizza Hut's Pan Pizza was twice tested head-to-head against Papa John's best selling pizza. On both occasions it was preferred over the Papa John's product by a margin of 55% to 45% or more. Supplemental Record Excerpts 17-18; Trial Tr. vol. 8, 50-52, 152-53.

Finally, Papa John's ran a series of advertisements which compared the specific ingredients used in its pizzas with those used by its "competitors," including the "biggest chain," to document its claim that its ingredients were superior. App. 4a. Papa John's claimed its sauce was made from "fresh, vine-ripened tomatoes," which were canned through a process called "fresh pack," while its competitors, including Pizza Hut, used "remanufactured" tomato sauce. *Id.* In these ads, Papa John's repeatedly juxtaposed the image of its sauce made from "fresh," "vine-ripened" tomatoes with pictures of condensed tomato paste, in one ad depicting it as a gooey paste that could be sculpted. See, *e.g.*, *id.* at 92a. As a Papa John's advertising agent put it, "'Showing that yucky looking paste is a very memorable graphic device.'" *Id.* at 44a. See also *id.* at 93a-101a.

In addition, Papa John's advertisements stated that it used "'clear filtered water'" to make its dough, while the "'biggest chain'" uses "'whatever comes out of the tap,'" and that Papa John's gives its yeast "'several days to work its magic,'" while "'some folks'" use "'frozen dough or dough made the same day.'" At the close of each such comparative ad, Papa John's summarized its comparison by saying "Better Ingredients. Better Pizza." App. 4a. See also *id.* at 93a-101a.

In brief, Papa John's used its advertising to make a series of visually compelling empirical demonstrations of the superiority of its ingredients and hence the superiority of its taste. It sought to convey to consumers that its slogan "Better Ingredients. Better Pizza." is a demonstrably true claim of product superiority and to remind consumers of that purported superiority each time the slogan is heard. The "beauty of a slogan . . . is precisely . . . that you can put the slogan anywhere and every time a consumer sees that slogan, they think back to the message you've been giving them in your advertising." Supplemental Record Excerpts 15; see also App. 43a-44a.

3. On August 12, 1998, Pizza Hut filed a civil action in the United States District Court for the Northern District of Texas, charging that Papa John's had engaged in false advertising in violation of Section 43(a)(1)(B) of the Lanham Act. It sought relief based on the massive television advertising campaigns described above and on 249 related print advertisements. App. 5a. An amended complaint was filed on March 10, 1999. Papa John's denied any violation of the Lanham Act and counterclaimed, charging that three television ads broadcast on a limited basis by Pizza Hut to "correct" some of the misrepresentations created by Papa John's advertising were themselves false and misleading. *Id.*

In this suit, the parties agreed to a jury trial before a magistrate judge. They further agreed that the jury should decide questions of liability while the judge should determine whether an injunction and damages should be awarded. App. 5a.

A three-week trial commenced on October 26, 1999. Papa John's moved for judgment as a matter of law at the close of Pizza Hut's evidence and at the close of all evidence, but the trial court denied the motions and submitted the liability issues to the jury through special interrogatories concerning the Papa John's slogan and groups of advertisements referred to as "'sauce claims,'" "'dough claims,'" "'taste test claims,'" and "'ingredients claims.'" App. 5a-6a.

On November 17, 1999, the jury announced its verdict. It found that Papa John's "Better Ingredients. Better Pizza." slogan, "'sauce claims,'" and "'dough claims'" were each false or misleading and deceptive or likely to deceive consumers. It determined that the "'taste test claims'" were false or misleading, but that consumers were not deceived by these claims. Finally, it concluded that Papa John's had not made false "'ingredients claims'" (defined by the court as ingredients other than sauce and dough). App.6a-7a, 85a-88a.

On January 3, 2000, the trial judge entered a Final Judgment and a Memorandum Opinion and Order based on the jury's verdict and on the parties' evidence concerning injunctive relief and damages. The court first affirmed the jury's verdict that Papa John's sauce and dough claims were false and misleading and were likely to mislead ordinarily prudent consumers. As the court explained, "[a]lthough different processing methods are used by each from the time the fresh tomatoes are cooked until the tomato sauce is applied to a pizza, there is no discernable measurable difference between the tomato sauces used by Papa John's and Pizza Hut." App. 31a. Thus, "[w]ithout any scientific support or properly conducted taste preference test," Papa John's sauce advertisements "convey an impression which is misleading and which is likely to mislead a substantial number of ordinarily prudent consumers into believing that Papa John's tomato sauce is superior to that of Pizza Hut's and of other major pizza chains." *Id.* at 33a. As to dough, the court found that the parties used different procedures to make their dough, but that "there is no evidence that one method is superior to the others in producing a suitable pizza crust when the proper procedures are followed" and that the doughs were "qualitatively indistinguishable." *Id.* at 36a, 38a.

Next the court affirmed the jury's conclusion that Papa John's taste test advertisements were false or misleading. Contrary to Papa John's representation that its pizza had won the taste test "'big time,'" App. 39a, "a minority of the respondents to Papa John's taste tests expressed a preference for Papa John's pizza products," *id.* "[T]he majority either fell in a category with no preference or a category which preferred Pizza Hut's tested products." *Id.*

Finally, the district court concluded that, until May 1997, the slogan "Better Ingredients. Better Pizza." was "consistent with the legal definition of non-actionable puffery." App. 47a. At that point, however, the slogan "became tainted" "in light of the entirety of Papa John's post-May 1997

advertising" – to wit, the false and misleading sauce, dough, and taste test claims. *Id.* at 48a. More particularly, the court explained:

> Papa John's deliberately and intentionally exploited its slogan as a centerpiece of its subsequent advertising campaign after May 1997 which falsely portrayed Papa John's tomato sauce and pizza dough as being superior to the sauce and dough components used in Pizza Hut's pizza products. When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated the provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined. [*Id.*]

The court thus enjoined Papa John's from (i) using the tainted slogan or any "recognizable variation" of the slogan; (ii) identifying Frank Carney as a co-founder of Pizza Hut in Papa John's advertising without indicating that Carney has not been affiliated with Pizza Hut since 1980; and (iii) claiming the superiority of Papa John's pizza components over Pizza Hut's pizza components unless that claim was supported by scientifically demonstrated attributes of superiority or taste test surveys. App. 7a-8a. Finally, the court awarded Pizza Hut $467,619.75 in damages for the corrective advertising it ran in response to the unlawful Papa John's ads. *Id.* at 8a.

Papa John's filed a notice of appeal and motion for stay of the injunction with the Fifth Circuit. That court immediately stayed the district court's injunction pending appeal, before it received either the district court's written opinion denying a stay or Pizza Hut's brief in opposition to the stay. App. 8a.

4. In a decision entered September 19, 2000, the court of appeals vacated the jury verdict, reversed the district court's

order denying Papa John's motion for judgment as a matter of law, and remanded the case to the district court for the entry of judgment for Papa John's. The court of appeals held that, even viewing the evidence in the light most favorable to Pizza Hut, Papa John's advertisements did not violate the Lanham Act. App. 2a.

The court first found that, "standing alone," Papa John's slogan "Better Ingredients. Better Pizza." was non-actionable puffery, because it was simply "a general statement of opinion regarding [its] superiority" and "wholly a matter of individual taste or preference not subject to scientific quantification." App. 2a, 16a, 17a. In short, considered out of context, the slogan was simply an expression of Papa John's opinion. *Id.* at 18a.

The court then recognized that the trial judge had *not* found that the Papa John's slogan, standing alone, was actionable. Instead, the trial judge had "concluded that after May 1997, the slogan was transformed as a result of its use in connection with a series of ads that the jury found misleading." App. 19a. "In essence, the district court held that the comparison ads in which the slogan appeared . . . gave objective quantifiable, and fact-specific meaning to the slogan" and that, as a result, "the slogan was misleading and actionable" under the Lanham Act. *Id.* at 19a-20a.

The court of appeals proceeded to examine the evidence to see if it supported the trial court's conclusion. It concluded that "it is clear that there is sufficient evidence to support the jury's conclusion that the sauce and dough ads were misleading statements of fact actionable under the Lanham Act," App. 20a, and that, in context, the slogan "Better Ingredients. Better Pizza." did "take[] on the characteristics of a statement of fact" and was "misleading for the same reasons . . . discussed in connection with the sauce and dough ads." *Id.* at 23a.

Finally, the court of appeals held that to determine whether an advertising slogan is misleading, it must be considered in context, and that Papa John's slogan had to be considered in the context of its two-and-a-half year campaign designed to demonstrate the "truth" of the slogan by comparisons of pizza components. App. 22a. The court "agree[d] that the message communicated by the slogan 'Better Ingredients. Better Pizza.' is expanded and given additional meaning when it is used as the tag line in the misleading sauce and dough ads." *Id.* at 22a-23a. These ads "give[] consumers two fact-specific reasons why Papa John's ingredients are 'better,'" *id.* at 23a:

> [A] reasonable consumer would understand the slogan, when considered in the context of the comparison ads, as conveying the following message: Papa John's uses "better ingredients," which produces a "better pizza," because Papa John's uses "fresh-pack" tomatoes, fresh dough, and filtered water. In short, Papa John's has given definition to the word "better." [*Id.* (emphasis omitted).]

Despite the holding that the sauce and dough claims and the slogan, in context, were misleading, the court held counter-intuitively that the advertisements at issue did not violate the Lanham Act. According to the court, the misleading statements were not "material to the consumers to which the slogan was directed." App. 24a. The court acknowledged that the record contained a consumer survey that "showed that 48% of the respondents believe[d] that 'Papa John's has better ingredients than other national pizza chains.'" *Id.* at 26a. But, the court stated that, even when viewed in the light most favorable to Pizza Hut, this study could not demonstrate materiality, because it "failed to indicate whether the conclusions resulted from the advertisements at issue, or from personal eating experiences, or from a combination of both." *Id.* The court further recognized that Pizza Hut had presented evidence that the "subjective intent of the defendant's corporate executives" was to convey the message that Papa

John's used superior ingredients, but concluded that such an intent was not "evidence of the fact" and thus "d[id] not address the ultimate question of materiality." *Id.* at 27a. Finally, the court observed that the jury had found that "the advertisements were likely to deceive consumers," but had not decided "whether the deception created by these advertisements was material to the consumers to which the ads were directed – that is, whether consumers actually relied on the misrepresentations in making purchasing decisions." *Id.* at 6a n.2.

REASONS FOR GRANTING THE PETITION

I. THE FIFTH CIRCUIT'S DECISION CONFLICTS WITH THE DECISIONS OF OTHER COURTS OF APPEALS AND IS INCONSISTENT WITH DECISIONS OF THIS COURT.

Section 43(a) of the Lanham Act provides, in pertinent part, that

> Any person who . . . in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act. [15 U.S.C. § 1125(a).]

All courts of appeals to address the question, including the Fifth Circuit, have agreed that, to establish a false advertising claim, the plaintiff must show that the defendant: (1) made a false statement of fact; (2) that deceives or has the tendency to deceive a substantial segment of its audience; (3) that is material in that it is likely to influence the purchasing decision; (4) that is in interstate commerce, and (5) that causes or is likely to cause injury to the plaintiff. See, *e.g.*, App. 9a-10a; *Southland Sod Farms* v. *Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997); *Castrol, Inc.* v. *Pennzoil*

Co., 987 F.2d 939, 943 (3d Cir. 1993); *ALPO Petfoods, Inc.* v. *Ralston Purina Co.*, 913 F. 2d 958, 964 (D.C. Cir. 1990).

This case involves the meaning of the requirement that a false representation that deceives consumers be "material" in order to be actionable as false advertising under the Lanham Act. Different courts have defined materiality in this context in a variety of ways. For this reason, "[t]he standards by which the Court must judge materiality are not well-settled," and there has been a good deal of uncertainty about the nature of the materiality requirement in false advertising claims under the Lanham Act. *In re Century 21-Re/Max Adver. Claims Litig.*, 882 F. Supp. 915, 923-24 (C.D. Cal. 1994). In this case, however, the court of appeals has adopted an entirely unprecedented definition of materiality – an actual reliance test – that plainly conflicts with the definitions adopted by other courts of appeals and is inconsistent with this Court's generally applicable standard of materiality.

1. Here, the jury found, and the district court and court of appeals affirmed, that Papa John's $300 million advertising campaign, purporting empirically to demonstrate that it used better sauce and better dough, and thus had better taste, was false and misleading, see *supra* at 8-12, and that a substantial number of consumers were deceived about whether Papa John's contained "better ingredients," see, *e.g.*, App. 6a n.2, 26a (citing jury finding that consumers were deceived and survey showing that 48% of respondents to a survey falsely believed that Papa John's had "better ingredients"); *id.* at 27a (citing evidence that Papa John's intended to persuade consumers that its pizza had objectively "better ingredients"). But the court of appeals held that, despite the misrepresentations and the consumer deception, Pizza Hut had not proven its false advertising claim as a matter of law, because it had not presented evidence that Papa John's misrepresentations were "material." Specifically, the court held that a misleading statement is not material unless the plaintiff shows that "consumers actually relied on the misrep-

resentations in making purchasing decisions," *id.* at 6a n.2, and that Pizza Hut had not shown that the deceived "consumers in fact relied on the ["better ingredients"] message to make their [pizza] purchases," *id.* at 27a. This holding – which requires Lanham Act plaintiffs to present evidence not only that consumers were likely to be deceived by false advertising but that they *in fact relied* on that false advertising in making purchasing decisions – is flatly inconsistent with the varied materiality tests used by all other courts of appeals in false advertising cases arising under Act.

In the Lanham Act context, the majority of courts have held that the "materiality" test is an objective, reasonable consumer test. To be material, the misrepresentation at issue must pertain not to irrelevant or trivial product characteristics or facts, but rather to some aspect of the product or service that is "likely to influence [the] purchasing decisions" of a reasonable consumer. *American Tel. & Tel. Co.* v. *Winback and Conserve Program, Inc.*, 42 F.3d 1421, 1428 n.9 (3d Cir. 1994). See also *Novartis Corp.* v. *FTC*, 223 F.3d 783, 787 (D.C. Cir. 2000) (a material claim is one that "involves information that is important to consumers and, hence, likely to affect their choice of, or conduct regarding, a product"). Plainly, this approach does not require an injured plaintiff to prove that consumers actually relied on the deceptive statement.

The Second Circuit uses a different materiality test. In assessing materiality, it asks whether the misrepresentation relates to "an 'inherent quality or characteristic' of the product." *National Basketball Ass'n* v. *Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir. 1997) (quoting *National Ass'n of Pharm. Mfrs.* v. *Ayerst Labs.*, 850 F.2d 904, 917 (2d Cir. 1988), *Vidal Sassoon, Inc.* v. *Bristol-Myers Co.*, 661 F.2d 272, 278 (2d Cir. 1981)). Again, the focus is on the relationship between the deception and key product characteristics, not on demonstrating actual reliance on the misstatements to make purchasing decisions.

The Federal Circuit has utilized, and some district courts have adopted, a formulation that looks to the sources of competition within the market for the relevant product or service. Under this test, a misrepresentation is material if it "relate[s] to the principal bases of competition among sellers." *Hewlett-Packard Co.* v. *Nu-Kote Int'l, Inc.*, 155 F.3d 571, 1988 WL 398818, at *4 (Fed. Cir. June 15, 1998) (unpublished) (citing *In re Uranium Antitrust Litig.*, 473 F. Supp. 393, 408-09 (N.D. Ill. 1979)).

These three formulations, though different, serve a similar function: They weed out relatively innocuous misstatements that are objectively unlikely to have any real impact on consumer purchasing decisions. What all three share is that they cannot be reconciled with the Fifth Circuit's actual reliance test.

National Basketball Ass'n perfectly illustrates this point. In that case, the Second Circuit found immaterial a misrepresentation that a service called SportsTrax provides "updated game information direct from each arena" which "originate[s] from the press table in each arena." 105 F.3d at 855. In fact, SportsTrax' information came from "television and radio broadcasts," rather than "direct from the arena." *Id.* The court affirmed a district court decision that the statement "as to the particular origin of game updates constitutes nothing more than minutiae about SportsTrax" that "would not influence consumers at the present time, whose interest in obtaining updated game scores on pagers is served only by SportsTrax." *Id.* "Whether the data is taken from broadcasts instead of being observed first-hand, is therefore, simply irrelevant" to purchasing decisions. *Id.*

But, the court warned, this information could become "material" and thus actionable if the NBA were "to market a rival pager with a direct datafeed from the arenas – perhaps with quicker updates than SportsTrax and official statistics." *Id.* Thus, the court of appeals recognized that the critical question for purposes of materiality is whether the

misrepresentation concerns a fact that is likely to make a difference to a reasonable consumer – and not whether there is evidence in the record that consumers actually made purchasing decisions in reliance on the misrepresentation at issue. Under the Second Circuit's standard, this case would have been resolved in Pizza Hut's favor.

Most other courts have applied similar tests and reached consistent results. See *Novartis Corp.*, 223 F.3d at 787 (affirming holding that representation was material based on the "common-sense proposition that efficacy is a pivotal consideration for consumers in selecting an analgesic, and that claims of superior efficacy are highly material to those consumer choices"); *Hewlett-Packard*, 1988 WL 398818, at *3 (finding misrepresentations material where "customers are likely to notice and care" about the claims at issue); *Vidal Sassoon, Inc.* v. *Bristol-Meyers Co.*, 661 F.2d 272, 278 (2d Cir. 1981) (deceptive advertisements that lead consumers to believe that a shampoo is "competitively superior" "surely [make] a representation regarding its 'inherent quality'" and are material); *Student Advantage, Inc.* v. *CollegeClub.com.*, 1999 WL 1095601 (S.D.N.Y. Dec. 3, 1999) (holding that allegation that student marketing company misrepresented the number of students to which it had access adequately pleaded a material misrepresentation); *Transclean Corp.* v. *Bridgewood Serv., Inc.*, 77 F. Supp. 2d 1045, 1101 (D. Minn. 1999) (rejecting claim that defendant's representation was immaterial when a third-party purchaser "seized upon [defendant's] claims as a 'point of differentiation' from its own competitors"); *In re Uranium Antitrust Litig.*, 473 F. Supp. 393, 409 (N.D. Ill. 1979) (holding that supply capacity was a basis for competition in the uranium industry and therefore that misrepresentations about supply were material).[2]

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[2] Indeed, under the majority tests, it is *only* in cases where the court cannot discern whether a misrepresentation involves "inherent qualities or characteristics" of a product or service or a "basis of competition" in the relevant market that the court requires proof related to materiality. For

Like most courts, the FTC, the administrative agency with authority to interpret the FTC Act, has adopted the natural tendency test for materiality. It deems a misrepresentation material if it is "one which is likely to affect a consumer's choice of or conduct regarding a product. In other words, it is information that is important to consumers." *Statement on Deceptive Practices*, 103 F.T.C. 173 (1984). Indeed, the FTC has explained that, under this test, in many contexts, materiality is simply presumed:

> The Commission considers certain categories of information presumptively material. First, the Commission presumes that express claims are material. As the Supreme Court stated recently, "[i]n the absence of factors that would distort the decision to advertise, we may assume that the willingness of a business to promote its products reflects a belief that consumers are interested in the advertising." . . . Similarly, when evidence exists that a seller intended to make an implied claim, the Commission will infer materiality. [*Id.* at 182 (quoting *Central Hudson Gas & Elec. Co.* v. *Public Serv. Comm'n*, 447 U.S. 557, 567-68 (1980)) (footnotes omitted).]

Cf. also Federal Trade Comm'n, *Enforcement Policy Statement on Food Advertising*, ch. II (1994), *available at*

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example, in *Compaq Computer Corp.* v. *Packard Bell Electronics, Inc.*, 163 F.R.D. 329, 336 (N.D. Cal. 1995), the court held that there was a dispute of fact on the question whether the use of recycled parts in computer manufacturing is material to consumers and allowed discovery on the question. Similarly, in *Federal Express Corp.* v. *United States Postal Service*, 40 F. Supp. 2d 943 (W.D. Tenn. 1999), the court declined to dismiss a complaint alleging that the Postal Service's misrepresentations – that it is a company and can deliver world-wide – were material. The court concluded that dismissal would be premature without discovery concerning whether these misrepresentations had a tendency to affect consumers' purchasing decisions. *Id.* at 953. Neither court required the plaintiff to prove materiality via empirical evidence of actual consumer reliance.

http://www.ftc.gov/bcp/policystmt/ad-food.htm (to be material, a misrepresentation must be "likely to affect a consumer's choice or use of a product or service"). This Court has endorsed the Commission's interpretation:

> Nor was it necessary for the Commission to conduct a survey of the viewing public before it could determine that the commercials had a tendency to mislead, for when the Commission finds deception it is also authorized, within the bounds of reason, to infer that the deception will constitute a material factor in a purchaser's decision to buy." [*FTC* v. *Colgate-Palmolive Co.*, 380 U.S. 374, 391-92 (1985) (citing *FTC* v. *Raladam Co.*, 316 U.S. 149, 152 (1978)).]

The Fifth Circuit's requirement that a Lanham Act plaintiff present evidence that a deceived consumer actually relied on a misrepresentation conflicts with each of the formulations described above. All of the other tests – varied though they are – inquire, in essence, whether a misrepresentation has a natural tendency to influence a reasonable purchaser. Cf. *Mills* v. *Electric Auto-Lite Co.*, 396 U.S. 375, 384 (1970) (materiality "serves the purpose of ensuring that a cause of action cannot be established by proof of a defect so trivial, or so unrelated to the transaction"). None requires a demonstration that deceived consumers' purchasing decisions were actually affected.

The decision at issue, however, is representative of an increasing trend among federal courts to "use materiality as a means of eliminating cases before trial, even where the court has held that the defendant's factual representation is literally false. The lack of any standards for determining materiality further increases judicial flexibility in this area." Burns, *supra*, at 873. This result is often achieved by wrongly equating materiality with deception or actual reliance or simply by application of the decision maker's own view of whether the point was material. See, *e.g.*, *Tire Kingdom, Inc.* v. *Morgan Tire & Auto, Inc.*, 915 F. Supp. 360, 366 (S.D. Fla.

1996) (finding immaterial as a matter of law an advertisement that falsely suggested two tires were different when the sole difference was in the warranty), *aff'd*, 136 F.3d 139 (11th Cir. 1998); *Compaq Computer Corp.* v. *Procom Tech., Inc.*, 908 F. Supp. 1409, 1426-27 (S.D. Tx. 1995) (finding immaterial an advertisement's use of a photograph of a component made by a different company); *Allen Organ Co.* v. *Galanti Organ Builders, Inc.*, 798 F. Supp. 1162, 1168 (E.D. Pa. 1992) (finding false assertions about the technical aspects of a product immaterial), *aff'd*, 995 F.2d 215 (3d Cir. 1993); *In re Century 21-Re/Max Real Estate Adver. Claims Litig.*, 882 F. Supp. 915, 923-24 (C.D. Cal. 1994) (finding that false claims of size and sales were immaterial); *Hertz Corp.* v. *Avis, Inc.*, 725 F. Supp. 170, 171-72 (S.D.N.Y. 1989) (finding false representation of reimbursement "two and one-half times faster" than competitors to be immaterial), *vacated by settlement*, 732 F. Supp. 26 (S.D.N.Y. 1990).

Here, for example, the court of appeals vacated the jury's decision that, even standing alone, the Papa John's advertising slogan – "Better Ingredients. Better Pizza." – was false or misleading and deceived consumers on the ground that it was "puffery." App. 18a. The court's intuition that consumers should not have been deceived by the slogan alone, erroneous itself,[3] may have affected its analysis of the advertising campaign as a whole, despite its affirmance of the

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[3] There are many cases holding that the words "better" and "best" are not mere puffery when, in a given context, they convey a substantive, provable claim. See *Castrol, Inc.* v. *Quaker State Corp.*, 977 F.2d 57, 59 (2d Cir. 1992) (motor oil "'protects better'"); *McNeil-P.C.C.* v. *Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1549-50 (2d Cir. 1991) (analgesic "'works better'"); *Church & Dwight Co.* v. *S.C. Johnson & Sons, Inc.*, 873 F. Supp. 893, 903-04 (D.N.J. 1994) (carpet deodorizer works "'five times better than baking soda'"); *W.L. Gore & Assocs.* v. *Totes, Inc.*, 788 F. Supp. 800, 806 (D. Del. 1992) (outerwear was "'best waterproof fabric you can find'"); *C.B. Fleet Co.* v. *Smithkline Beecham Consumer Healthcare*, 131 F.3d 430, 437 (4th Cir. 1997) ("'Now Designed for Better Cleansing'").

jury's findings that, in context, the advertising campaign slogan was a misleading representation of fact and that consumers were actually deceived.

The lack of a uniform definition of the materiality element of a false advertising claim under the Lanham Act has caused substantial uncertainty and confusion, and that definition is now the subject of a clear conflict among the courts of appeals. Given the vital importance of the Lanham Act to the business of advertising, this divergence of approaches is intolerable, and only a decision by this Court can bring consistency to the issue of materiality.

2. The Fifth Circuit's actual reliance test is also inconsistent with this Court's cases addressing the meaning of a materiality requirement in statutes involving civil and criminal misrepresentations. Most recently, in *Neder* v. *United States*, 527 U.S. 1 (1999), this Court explained that, under the *Restatement (Second) of Torts* § 538 (1976), a matter is material if "a reasonable man would attach importance to its existence or nonexistence in determining his choice of action in the transaction in question." 527 U.S. at 22 n.5. This Court has routinely made clear that a misrepresentation is "material" if it "has a natural tendency to influence or is capable of influencing, the decision of the decision-making body to which it was addressed." *Restatement (Second) of Torts* § 538, *quoted in Kungys* v. *United States*, 485 U.S. 759, 770 (1988). Materiality turns on the representation's "capability of influencing" the victim, not its actual influence, and it is the "intrinsic capabilities" of the false statement, not the actual result of the deception, that delineates materiality. *United States* v. *Goldfine*, 538 F.2d 820, 820 (9th Cir. 1976). Materiality does not turn on hindsight, but on "whether the misrepresentation . . . was predictably capable of affecting, i.e., had a natural tendency to affect," the victim. *Kungys* v. *United States*, 485 U.S. 759, 771 (1988).

Most significantly here, the Court has held that "[i]n general," this test should be applied to determine the materiality of a false statement. *Neder*, 527 U.S. at 16. See also *United States* v. *Wells*, 519 U.S. 482, 489-90 (1997) ("understanding [materiality] to mean [the natural tendency test]"); *United States* v. *Gaudin*, 515 U.S. 506, 509 (1995) (applying the "natural tendency" test of materiality to false statements under 18 U.S.C. § 1001); *Kungys*, 485 U.S. at 770 (stating that, in a prosecution under 8 U.S.C. § 1451(a), a "misrepresentation is material if it 'has a natural tendency to influence, or was capable of influencing, the decision of' the decision making body to which it was addressed"). The Fifth Circuit's actual reliance test is thus utterly inconsistent with this Court's recent teaching about materiality's definition. There is no reason, however, that the generally applicable materiality test should not apply in Lanham Act cases. At a minimum, this Court should decide whether there is something unique about the Lanham Act that could warrant this distinctive standard. Cf. *Basic, Inc.* v. *Levinson*, 485 U.S. 224, 231 (1988) (in federal securities law, to fulfill materiality requirement, there must be a "substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available").

There has never been a consistent formulation of the materiality test, and there is now a substantial and meaningful conflict among the courts of appeals about how that element of a false advertising claim under the Lanham Act should be defined. This Court should grant the petition to resolve the conflict on this important question that is outcome determinative of claims under section 43(a) of the Lanham Act.

II. THE CASE PRESENTS A RECURRING AND IMPORTANT QUESTION OF FEDERAL LAW.

As advertising has become critical to the efficient functioning of the national economy, it has become correspondingly critical to ensure that "the stream of commercial

information flow[s] cleanly as well as freely." *Virginia State Bd. of Pharmacy* v. *Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 772 (1976). Private enforcement of the Lanham Act's prohibition of false and misleading advertising has thus increasingly supplemented government regulation. And, what was a relatively unnoticed provision in the federal trademark statute has now become a mature and developed statutory right of commercial entities to be protected from false and misleading advertising by their competitors. Recent years have seen a significant increase in false advertising cases filed under the Lanham Act. See Bruce P. Keller, *"It Keeps Going and Going and Going": The Expansion of False Advertising Litigation Under the Lanham Act*, 59 Law & Contemp. Probs. 131, 157 (1996) ("[t]he application of section 43(a) . . . to false advertising claims has created an enormous body of case law that barely existed twenty-five years ago"); Felix H. Kent, *The Expanded Application of the Lanham Act § 43(a)*, 213 N.Y. L.J., 3 (June 16, 1995) ("'43(a)' has become a common word, not just in the lexicon of advertising lawyers, but in the vocabulary of advertising professionals and reporters"). If an advertising claim is made in interstate commerce, it falls within the ambit of section 43(a).

In this important area of litigation, the governing law is characterized by an unhealthy inconsistency and lack of clarity. This case provides an excellent illustration of this disturbing trend. While the courts of appeals agree that a misrepresentation must be material to be actionable under the Lanham Act, there has long been confusion and there is now a conflict among the courts of appeals concerning the meaning of that requirement. Most courts apply an objective, natural-tendency test. By contrast, the court of appeals here and many district courts have confused the materiality requirement with a requirement that a Lanham Act plaintiff present consumer survey evidence (when an ad is ambiguous

or has a hidden message) or evidence of consumer reliance (when the plaintiff seeks damages).

As lawsuits involving Lanham Act claims become daily fodder in the federal courts, the confusion and conflict about the applicable legal standards causes substantial damage. Most obviously, the time and resources of the courts, the parties and their counsel are increasingly wasted attempting both to determine the correct standard and in trying to offer proof adequate to satisfy whatever standard actually gets adopted. But, equally to the point, as this Court has often observed, advertising is a critical component of our free market economy, and uncertainty about the regulatory standards governing advertising harms businesses and consumers alike.

More specifically, advertising is the:

> dissemination of information as to who is producing and selling what product. So long as we preserve a predominantly free enterprise economy, the allocation of our resources in large measure will be made through numerous private economic decisions. It is a matter of public interest that those decisions, in the aggregate, be intelligent and well informed. [*Virginia State Bd. of Pharmacy*, 425 U.S. at 765.]

"Commercial expression not only serves the economic interest of the speaker, but assists consumers and furthers the societal interest in the fullest possible dissemination of information." *Central Hudson Gas & Elec. Corp.* v. *Public Serv. Comm'n*, 447 U.S. 557, 561-62 (1980).[4] Advertising serves these public purposes, however, only if it is "neither misleading nor related to unlawful activity." *Id.* at 564. See also *Virginia State Bd. of Pharmacy*, 425 U.S. at 771-72

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[4] *See, e.g.*, Phillip Nelson, *The Economic Value of Advertising, in Advertising and Society* 43, 50 (Yale Brozen ed., 1974); R.H. Coase, *Advertising and Free Speech*, 6 J. Legal Stud. 1, 9 (1977).

("much commercial speech is not provably false, or even wholly false, but only deceptive and misleading. . . . The First Amendment . . . does not prohibit the State from insuring that the stream of commercial information flow[s] cleanly as well as freely"). Accordingly, there is now a strong "public interest," perhaps rising to the level of a necessity, in private enforcement of federal advertising law by competitors; the federal government, specifically the FTC, cannot conceivably shoulder the entire burden of enforcement in this area. See *Coca-Cola Co.* v. *Proctor & Gamble Co.*, 822 F.2d 28, 31 (6th Cir. 1987).

In addition, the Lanham Act recognizes the First Amendment interest in free commercial expression *and* the strong governmental interest in preventing deceptive and misleading commercial speech.[5] Confusion and conflict in its interpretation thus distort Congress' balance between these interests and create uncertainty in potential advertisers, altering the flow of information to consumers.

There is yet a third reason that this Court should grant the petition and provide a single definition for the materiality element of a false advertising claim under the Lanham Act. Although the Act does not expressly preempt the state laws governing unfair competition, it has, in effect, become the singular standard for assessing false advertising claims. See, *e.g.*, J. Thomas McCarthy, *Lanham Act § 43(a): The Sleeping Giant Is Now Wide Awake*, 59 Law & Contemp. Probs. 45, 46 (1996) ("Section 43(a) has risen from obscurity as a largely ignored subsection . . . in 1945 to today's unrivaled legal instrument to combat unfair competition"). As Congressman

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[5] *See* 134 Cong. Rec. H10,420 (daily ed. Oct. 19, 1988) (statement of Rep. Kastenmeier) ("[t]o avoid legitimate constitutional challenge, it was necessary to carefully limit the reach of that subsection. Because section 43(a) [now provides] a kind of commercial defamation action, the reach of the section specifically extends only to false and misleading speech that is encompassed within the 'commercial speech' doctrine developed by the United States Supreme Court").

Lanham, the bill's sponsor, stated: "The purpose of [the Act] is to protect legitimate business and the consumers of the country." 92 Cong. Rec. 7524 (1946). See also S. Rep. No. 100-515, at 4 (1988) (explaining that the Trademark Law Revision Act of 1988 had the same purpose). "One way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy." *Two Pesos, Inc.* v. *Taco Cabana, Inc.*, 505 U.S. 763, 782 (1992) (Stevens, J., concurring). In amending the Lanham Act, *inter alia*, to broaden the language and codify the prohibition against false and misleading advertising in 1988, Congress endorsed and highlighted the Act's "creati[on], in essence, [of] a federal law of unfair competition," including "actionable false advertising claims." S. Rep. No. 100-515, at 40. Plainly, the current conflict and confusion about the elements of a Lanham Act false advertising claim undermine the uniformity of federal law in this important area – a uniformity that is vital in a national economy.

Finally, the conflict and uncertainty about claims under section 43(a) create an issue of fundamental fairness. Businesses are increasingly (at least) national in scope; advertising claims are correlatively national. An advertisement, such as the Papa John's advertising at issue here, would be unlawful in the Second or Third Circuits, while it was not deemed unlawful by the Fifth Circuit. And, if the lawfulness of competitors' campaigns were determined in different circuits, campaigns related to the same "subject of competition" might be deemed material and thus actionable in one circuit as to one competitor and not as to its rival. This will lead to unseemly forum shopping.

For these reasons, it is important for this Court to dispel the conflict and confusion in the federal courts about the materiality element of claims of false advertising under section 43(a) of the Lanham Act.

III. THE FIFTH CIRCUIT'S DECISION WAS WRONG.

The discussion of the conflict created by the Fifth Circuit's decision also explains why the holding of that court was wrong.

The language of section 43(a) makes absolutely clear that, to obtain equitable relief, a Lanham Act plaintiff is required only to show that he or she is "likely to be damaged" by the false or misleading statement at issue. See, *e.g.*, *Warner-Lambert Co.* v. *Breathasure, Inc.*, 204 F.3d 87, 92 (3d Cir. 2000); *Johnson & Johnson* v. *Carter-Wallace*, 631 F.2d 186, 190 (2d Cir. 1980). A materiality test that requires proof of actual reliance is fundamentally inconsistent with the import of this language.

In contrast, under the natural tendency test of materiality, the appropriate legal question is whether the purchasing decisions of a reasonable consumer of pizza would be affected by his or her (false) belief that one pizza contains "better ingredients" than another. The answer to this question is plainly yes. Pizza is a food item purchased, at least in significant part, for its taste. Other things being equal, "better ingredients" inherently result in a pizza with better taste. As a matter of law, purportedly empirical representations about the superior quality of ingredients have a natural tendency to affect a reasonable pizza consumer's purchasing decisions and thus misrepresentations on this subject are "material" under the Lanham Act. Put differently, in advertising for pizza, nothing is more material than advertising saying that one company's pizza is demonstrably better than another's because it uses higher quality ingredients. Indeed, unlike an undifferentiated claim of "better" or "best" pizza, advertising which specifically states that the advertiser's pizza is demonstrably better than that of the national leader – illustrating that point with photographs of the leader's ingredients, App. 93s-101a – is manifestly likely to affect consumer purchasing decisions.

Moreover, because the misrepresentation at issue is plainly material and thus violates the Lanham Act, it is equally clear that the court of appeals' vacatur of the injuntive relief ordered by the district court was in error. If the slogan "Better Ingredients. Better Pizza." cannot be considered puffing because it has been imbued with a false and misleading meaning as a result of Papa John's purported empirical demonstrations of the superiority of its ingredients, as the jury found, see *supra* 8-9, then the district court's decision to enjoin the use of the offending advertisements and the tainted slogan, far from being an abuse of discretion, was clearly correct.

The Fifth Circuit, however, held that the misrepresentation that Papa John's has "Better Ingredients" and is therefore a "Better Pizza" is not material. The court reached this conclusion because Pizza Hut did not present evidence, such as consumer survey evidence, that deceived consumers actually altered purchasing decisions based on their belief that Papa John's had "better ingredients" – *i.e.*, evidence of actual reliance – and accordingly vacated the district court's entry of judgment, including its injuntive provisions. The court of appeals did not employ the correct test for materiality, as the decisions of the other courts of appeals recognize and as this Court's materiality cases demonstrate.

In this regard, it is important to keep in mind that the predicate for the materiality analysis is that the advertising is in fact false or misleading. It is difficult to believe that Congress enacted a statute that requires courts to ignore unquestionably false advertising that has a natural tendency to affect consumers' purchasing decisions unless the plaintiff can prove that the precise falsehoods actually affected consumer choice. Such advertising violates the Lanham Act and courts may forbid it, even without proof of actual effect on consumers' purchasing decisions.

This Court should grant the petition to reverse the erroneous decision of the Fifth Circuit, to resolve the

confusion and conflict on this important and recurring question of federal law, and to decide whether a plaintiff must run a further gauntlet to establish liability under the Lanham Act after proving that an advertisement is false or misleading.

CONCLUSION

The petition for certiorari should be granted.

Respectfully submitted,

THOMAS C. MORRISON
PATTERSON, BELKNAP, WEBB & TYLER LLP
1133 Avenue of the Americas
New York, NY 10036-6710
(212) 336-2650

CARTER G. PHILLIPS*
VIRGINIA A. SEITZ
SIDLEY & AUSTIN
1722 Eye Street, N.W.
Washington, D.C. 20006
(202) 736-8000

ROBERT W. MILLEN
PIZZA HUT, INC.
14841 N. Dallas Parkway
Dallas, TX 75240
(972) 338-7661

Counsel for Petitioner

December 18, 2000

* Counsel of Record

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FIFTH CIRCUIT

No. 00-10071

PIZZA HUT, INC.,
Plaintiff-Counter Defendant-Appellee,
v.
PAPA JOHN'S INTERNATIONAL, INC.;
Papa John's USA, Inc.,
Defendants-Counter Claimants-Appellants.

Appeals from the United States District Court
for the Northern District of Texas

Sept. 19, 2000

Before POLITZ, JOLLY and BARKSDALE, Circuit Judges.

E. GRADY JOLLY, Circuit Judge:

This appeal presents a false advertising claim under section 43(a) of the Lanham Act, resulting in a jury verdict for the plaintiff, Pizza Hut. At the center of this appeal is Papa John's four word slogan "Better Ingredients. Better Pizza."

The appellant, Papa John's International Inc. ("Papa John's"), argues that the slogan "cannot and does not violate the Lanham Act" because it is "not a misrepresentation of fact." The appellee, Pizza Hut, Inc., argues that the slogan, when viewed in the context of Papa John's overall advertising campaign, conveys a false statement of fact actionable under section 43(a) of the Lanham Act. The district court, after evaluating the jury's responses to a series of special

interrogatories and denying Papa John's motion for judgment as a matter of law, entered judgment for Pizza Hut stating:

> When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined.

We conclude that (1) the slogan, standing alone, is not an objectifiable statement of fact upon which consumers would be justified in relying, and thus not actionable under section 43(a); and (2) while the slogan, when utilized in connection with some of the post-May 1997 comparative advertising—specifically, the sauce and dough campaigns—conveyed objectifiable and misleading facts, Pizza Hut has failed to adduce any evidence demonstrating that the facts conveyed by the slogan were material to the purchasing decisions of the consumers to which the slogan was directed. Thus, the district court erred in denying Papa John's motion for judgment as a matter of law. We therefore reverse the judgment of the district court denying Papa John's motion for judgment as a matter of law, vacate its final judgment, and remand the case to the district court for entry of judgment for Papa John's.

I

A

Pizza Hut is a wholly owned subsidiary of Tricon Global Restaurants. With over 7000 restaurants (both company and franchisee-owned), Pizza Hut is the largest pizza chain in the United States. In 1984, John Schnatter founded Papa John's Pizza in the back of his father's tavern. Papa John's has grown to over 2050 locations, making it the third largest pizza chain in the United States.

In May 1995, Papa John's adopted a new slogan: "Better Ingredients. Better Pizza." In 1996, Papa John's filed for a federal trademark registration for this slogan with the United States Patent & Trademark Office ("PTO"). Its application for registration was ultimately granted by the PTO. Since 1995, Papa John's has invested over $300 million building customer goodwill in its trademark "Better Ingredients. Better Pizza." The slogan has appeared on millions of signs, shirts, menus, pizza boxes, napkins and other items, and has regularly appeared as the "tag line" at the end of Papa John's radio and television ads, or with the company logo in printed advertising.

On May 1, 1997, Pizza Hut launched its "Totally New Pizza" campaign. This campaign was the culmination of "Operation Lightning Bolt," a nine-month, $50 million project in which Pizza Hut declared "war" on poor quality pizza. From the deck of a World War II aircraft carrier, Pizza Hut's president, David Novak, declared "war" on "skimpy, low quality pizza." National ads aired during this campaign touted the "better taste" of Pizza Hut's pizza, and "dared" anyone to find a "better pizza."

In early May 1997, Papa John's launched its first national ad campaign. The campaign was directed towards Pizza Hut, and its "Totally New Pizza" campaign. In a pair of TV ads featuring Pizza Hut's co-founder Frank Carney, Carney touted the superiority of Papa John's pizza over Pizza Hut's pizza. Although Carney had left the pizza business in the 1980's, he returned as a franchisee of Papa John's because he liked the taste of Papa John's pizza better than any other pizza on the market. The ad campaign was remarkably successful. During May 1997, Papa John's sales increased 11.7 percent over May 1996 sales, while Pizza Hut's sales were down 8 percent.

On the heels of the success of the Carney ads, in February 1998, Papa John's launched a second series of ads touting the

results of a taste test in which consumers were asked to compare Papa John's and Pizza Hut's pizzas. In the ads, Papa John's boasted that it "won big time" in taste tests. The ads were a response to Pizza Hut's "dare" to find a "better pizza." The taste test showed that consumers preferred Papa John's traditional crust pizzas over Pizza Hut's comparable pizzas by a 16-point margin (58% to 42%). Additionally, consumers preferred Papa John's thin crust pizzas by a fourteen-point margin (57% to 43%).

Following the taste test ads, Papa John's ran a series of ads comparing specific ingredients used in its pizzas with those used by its "competitors." During the course of these ads, Papa John's touted the superiority of its sauce and its dough. During the sauce campaign, Papa John's asserted that its sauce was made from "fresh, vine-ripened tomatoes," which were canned through a process called "fresh pack," while its competitors—including Pizza Hut—make their sauce from remanufactured tomato paste. During the dough campaign, Papa John's stated that it used "clear filtered water" to make its pizza dough, while the "biggest chain" uses "whatever comes out of the tap." Additionally, Papa John's asserted that it gives its yeast "several days to work its magic," while "some folks" use "frozen dough or dough made the same day." At or near the close of each of these ads, Papa John's punctuated its ingredient comparisons with the slogan "Better Ingredients. Better Pizza."

Pizza Hut does not appear to contest the truthfulness of the underlying factual assertions made by Papa John's in the course of these ads. Pizza Hut argues, however, that its own independent taste tests and other "scientific evidence" establishes that filtered water makes no difference in pizza dough, that there is no "taste" difference between Papa John's "fresh-pack" sauce and Pizza Hut's "remanufactured" sauce, and that fresh dough is not superior to frozen dough. In response to Pizza Hut's "scientific evidence," Papa John's

asserts that "each of these 'claims' involves a matter of common sense choice (fresh versus frozen, canned vegetables and fruit versus remanufactured paste, and filtered versus unfiltered water) about which individual consumers can and do form preferences every day without 'scientific' or 'expert' assistance."

In November 1997, Pizza Hut filed a complaint regarding Papa John's "Better Ingredients. Better Pizza." advertising campaign with the National Advertising Division of the Better Business Bureau, an industry self-regulatory body. This complaint, however, did not produce satisfactory results for Pizza Hut.

B

On August 12, 1998, Pizza Hut filed a civil action in the United States District Court for the Northern District of Texas charging Papa John's with false advertising in violation of Section 43(a)(1)(B) of the Lanham Act. The suit sought relief based on the above-described TV ad campaigns, as well as on some 249 print ads. On March 10, 1999, Pizza Hut filed an amended complaint. Papa John's answered the complaints by denying that its advertising and slogan violated the Lanham Act. Additionally, Papa John's asserted a counterclaim, charging Pizza Hut with engaging in false advertising. The parties consented to a jury trial before a United States magistrate judge. The parties further agreed that the liability issues were to be decided by the jury, while the equitable injunction claim and damages award were within the province of the court.

The trial began on October 26, 1999, and continued for over three weeks. At the close of Pizza Hut's case, and at the close of all evidence, Papa John's moved for a judgment as a matter of law. The motions were denied each time. The district court, without objection, submitted the liability issue

to the jury through special interrogatories.[1] The special issues submitted to the jury related to (1) the slogan and (2) over Papa John's objection, certain classes of groups of advertisements referred to as "sauce claims," "dough claims," "taste test claims," and "ingredients claims."

On November 17, 1999, the jury returned its responses to the special issues finding that Papa John's slogan, and its "sauce claims" and "dough claims" were false or misleading and deceptive or likely to deceive consumers.[2] The jury also

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[1] Although Papa John's did not object to the submission of the issue of Lanham Act liability to the jury via special interrogatories, it did object to the district court's refusal to submit special interrogatories on the essential elements of materiality and injury. Specifically, Papa John's submitted the following proposed jury interrogatories: (1) "Do you find that any false or misleading description or representation of fact in Papa John's Slogan 'Better Ingredients. Better Pizza.' *are material in that they are likely to influence the purchasing decisions of prospective purchasers of pizza?*" (emphasis added); and (2) "Do you find that any facts or misleading descriptions or representations of fact in Papa John's Slogan 'Better Ingredients. Better Pizza.' are likely to cause injury or damage to Pizza Hut in terms of declining sales or loss of good will?" The district court, without issuing written reasons, denied Papa John's request for special jury interrogatories on these two elements of Pizza Hut's prima facie case.

[2] Specifically, the jury answered "Yes" to each of the following interrogatories: (1) Did you find that Papa John's "Better Ingredients. Better Pizza" slogan is false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; (2) Did you find that Papa John's "sauce" claims are false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; and (3) Did you find that Papa John's "dough" claims are false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed? Although the jury was specifically asked whether the advertisements were likely to deceive consumers, the interrogatories failed to ask whether the deception created by these advertisements was material to the consumers to which the ads were directed—that is, whether

determined that Papa John's "taste test" ads were not deceptive or likely to deceive consumers, and that Papa John's "ingredients claims" were not false or misleading.[3] As to Papa John's counterclaims against Pizza Hut, the jury found that two of the three Pizza Hut television ads at issue were false or misleading and deceptive or likely to deceive consumers.[4]

On January 3, 2000, the trial court, based upon the jury's verdict and the evidence presented by the parties in support of injunctive relief and on the issue of damages, entered a Final Judgment and issued a Memorandum Opinion and Order. The court concluded that the "Better Ingredients. Better Pizza." slogan was "consistent with the legal definition of non-actionable puffery" from its introduction in 1995 until May 1997. However, the slogan "became tainted . . . in light of the entirety of Papa John's post-May 1997 advertising." Based on this conclusion, the magistrate judge permanently enjoined Papa John's from "using any slogan in the future that constitutes a recognizable variation of the phrase 'Better Ingredients. Better Pizza.' or which uses the adjective 'Better' to modify the terms 'ingredients' and/or 'pizza'." Additionally, the court enjoined Papa John's from identifying Frank Carney as a co-founder of Pizza Hut, "unless such advertising includes a voice-over, printed statement or a superimposed message which states that Frank Carney has

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consumers actually relied on the misrepresentations in making purchasing decisions.

[3] Specifically, the jury answered "No" to the following interrogatories: (1) Did you find that Papa John's "taste test" commercials are a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; and (2) Did you find that Papa John's "ingredients" claims are false or misleading? The "ingredients" ads found not to be false or misleading did not include any of the "sauce" or "dough" ads.

[4] Pizza Hut has not sought to appeal the jury's verdict regarding its advertising.

not been affiliated with Pizza Hut since 1980," and enjoined the dissemination of any advertising that was produced or disseminated prior to the date of this judgment and that explicitly or implicitly states or suggested that "Papa John's component is superior to the same component of Pizza Hut's pizzas." Finally, the court enjoined Papa John's from "explicitly or implicitly claim[ing] that a component of Papa John's pizza is superior to the same component of Pizza Hut's unless the superiority claim is supported by either (1) scientifically demonstrated attributes of superiority or (2) taste test surveys." Additionally, the injunction required that if the claim is supported by taste test surveys, the advertising shall include a printed statement, voice-over or "super," whichever is appropriate, stating the localities where the tests were conducted, the inclusive dates on which the surveys were performed, and the specific pizza products that were tested. The court also awarded Pizza Hut $467,619.75 in damages for having to run corrective ads.

On January 20, 2000, Papa John's filed a notice of appeal with our court. On January 26, we granted Papa John's motion to stay the district court's injunction pending appeal.

II

We review the district court's denial of a motion for judgment as a matter of law de novo applying the same standards as the district court. *See Ensley v. Cody Resources, Inc.*, 171 F.3d 315, 319 (5th Cir.1999)(citing *Hidden Oaks Ltd. v. City of Austin*, 138 F.3d 1036, 1042 (5th Cir.1998)); *Nero v. Industrial Molding Corp.*, 167 F.3d 921, 925 (5th Cir.1999). In ruling on a motion for judgment as a matter of law, we will consider all of the evidence—not just the evidence that supports the non-movant's case—but in the light most favorable to the non-movant. *Id.* The granting of a judgment as a matter of law will be appropriate "if, after a party has been fully heard by the jury on an issue, 'there is no *legally sufficient evidentiary basis* for a reasonable jury to

[find] for that party with respect to that issue.'" *Rutherford v. Harris County, Texas*, 197 F.3d 173, 179 (5th Cir.1999) (quoting *Aetna Cas. & Sur. Co., v. Pendleton Detectives of Miss., Inc.*, 182 F.3d 376, 377-78 (5th Cir.1999))(emphasis added).

Thus, for purposes of this appeal, we will review the evidence, in the most favorable light to Pizza Hut, to determine if, as a matter of law, it is sufficient to support a claim of false advertising under section 43(a) of the Lanham Act.

III

A

Section 43(a) of the Lanham Act, codified at 15 U.S.C. § 1125, provides in relevant part:

> Any person who . . . in commercial advertising or promotion, misrepresents the nature, characteristics, quality, or geographic origin of his or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B) (West 1999). We have interpreted this section of the Lanham Act as providing "protection against a 'myriad of deceptive commercial practices,' including false advertising or promotion." *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1387 (5th Cir.1996)(quoting *Resource Developers v. Statue of Liberty-Ellis Island Found.*, 926 F.2d 134, 139 (2d Cir.1991)).

A prima facie case of false advertising under section 43(a) requires the plaintiff to establish:

(1) A false or misleading statement of fact about a product;

(2) Such statement either deceived, or had the capacity to deceive a substantial segment of potential consumers;

(3) The deception is material, in that it is likely to influence the consumer's purchasing decision;

(4) The product is in interstate commerce; and

(5) The plaintiff has been or is likely to be injured as a result of the statement at issue.

See Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1500 (5th Cir.1990); *Cook, Perkiss and Liehe, Inc. v. Northern Cal. Collection Serv. Inc.*, 911 F.2d 242, 246 (9th Cir.1990); 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 27:24 (4th ed.1996). The failure to prove the existence of any element of the prima facie case is fatal to the plaintiff's claim. *Id.*

B

The law governing false advertising claims under section 43(a) of the Lanham Act is well settled. In order to obtain monetary damages or equitable relief in the form of an injunction, "a plaintiff must demonstrate that the commercial advertisement or promotion is either literally false, or that [if the advertisement is not literally false,] it is likely to mislead and confuse consumers." *Seven-Up*, 86 F.3d at 1390 (citing *McNeil-P.C.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1548-49 (2d Cir.1991)); *see also Johnson & Johnson v. Smithkline Beecham Corp.*, 960 F.2d 294, 298 (2d Cir.1992).[5]

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[5] When construing the allegedly false or misleading statement to determine if it is actionable under section 43(a), the statement must be viewed in the light of the overall context in which it appears. *See Avis*, 782 F.2d at 385; *Southland*, 108 F.3d at 1139. "Fundamental to any task of interpretation is the principle that text must yield to context." *Avis*, 782 F.2d at 385. Context will often help to determine whether the statement at issue is so overblown and exaggerated that no reasonable consumer would likely rely upon it. As the court in *Federal Express Corporation v. United States Postal Service*, 40 F.Supp.2d 943 (W.D.Tenn.1999), noted:

> On its face, [the statement at issue] does not seem to be the type of vague, general exaggeration which no reasonable person would rely

If the statement is shown to be misleading, the plaintiff must also introduce evidence of the statement's impact on consumers, referred to as materiality. *American Council of Certified Podiatric Physicians and Surgeons v. American Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606, 614 (6th Cir.1999).

(1)

(a)

Essential to any claim under section 43(a) of the Lanham Act is a determination of whether the challenged statement is one of fact—actionable under section 43(a)—or one of general opinion—not actionable under section 43(a). Bald assertions of superiority or general statements of opinion cannot form the basis of Lanham Act liability. *See Presidio Enters., Inc. v. Warner Bros. Distrib. Corp.*, 784 F.2d 674, 685 (5th Cir.1986); *Groden v. Random House, Inc.*, 61 F.3d 1045, 1051 (2d Cir.1995)(citing Restatement (Third) of Unfair Competition § 3 (1993)). Rather the statements at issue must be a "specific and measurable claim, capable of being proved false or of being reasonably interpreted as a statement of objective fact." *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 731 (9th Cir.1999); *see also American Council*, 185 F.3d at 614(stating that "a Lanham Act claim must be based upon a statement of fact, not of opinion"). As noted by our court in *Presidio*: "[A] statement of fact is one that (1) admits of being adjudged true or false in a way that (2) admits of empirical verification."

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upon in making a purchasing decision. Nevertheless, the determination of whether an advertising statement should be deemed puffery is driven by the context in which the statement is made. Where the context of an advertising statement may lend greater specificity to an otherwise vague representation, the court should not succumb to the temptation to hastily rule a phrase to be unactionable under the Lanham Act.

Id. at 956.

Presidio, 784 F.2d at 679; *see also Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1145 (9th Cir.1997)(stating that in order to constitute a statement of fact, a statement must make "a specific and measurable advertisement claim of product superiority").

(b)

One form of non-actionable statements of general opinion under section 43(a) of the Lanham Act has been referred to as "puffery." Puffery has been discussed at some length by other circuits. The Third Circuit has described "puffing" as "advertising that is not deceptive for no one would rely on its exaggerated claims." *U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia*, 898 F.2d 914 (3d Cir.1990). Similarly, the Ninth Circuit has defined "puffing" as "exaggerated advertising, blustering and boasting upon which no reasonable buyer would rely and is not actionable under 43(a)." *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1145 (9th Cir.1997) (quoting 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 27.04[4][d] (3d ed.1994)); *see also Cook*, 911 F.2d at 246 (stating that "[p]uffing has been described by most courts as involving outrageous generalized statements, not making specific claims, that are so exaggerated as to preclude reliance by consumers").[6]

These definitions of puffery are consistent with the definitions provided by the leading commentaries in trademark law. A leading authority on unfair competition has

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[6] In the same vein, the Second Circuit has observed that "statements of opinion are generally not the basis for Lanham Act liability." *Groden v. Random House*, 61 F.3d 1045, 1051 (2d Cir.1995). When a statement is "obviously a statement of opinion," it cannot "reasonably be seen as stating or implying provable facts." *Id.* "The Lanham Act does not prohibit false statements generally. It prohibits only false or misleading description or false or misleading representations of fact made about one's own or another's goods or services." *Id.* at 1052.

defined "puffery" as an "exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely," or "a general claim of superiority over a comparative product that is so vague, it would be understood as a mere expression of opinion." 4 J. Thomas McCarthy, McCarthy on Trademark and Unfair Competition § 27.38 (4th ed.1996).[7] Similarly, Prosser and Keeton on Torts defines "puffing" as "a seller's privilege to lie his head off, so long as he says nothing specific, on the theory that no reasonable man would believe him, or that no reasonable man would be influenced by such talk." W. Page Keeton, et al., Prosser and Keeton on the Law of Torts § 109, at 757 (5th ed.1984).

Drawing guidance from the writings of our sister circuits and the leading commentators, we think that non-actionable "puffery" comes in at least two possible forms: (1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.

(2)

(a)

With respect to materiality, when the statements of fact at issue are shown to be literally false, the plaintiff need not introduce evidence on the issue of the impact the statements had on consumers. *See Castrol, Inc. v. Quaker State Corp.*, 977 F.2d 57, 62 (2d Cir.1992); *Avila v. Rubin*, 84 F.3d 222, 227 (7th Cir.1996). In such a circumstance, the court will assume that the statements actually misled consumers. *See*

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[7] McCarty on Trademarks goes on to state: "[V]ague advertising claims that one's product is 'better' than that of competitors' can be dismissed as mere puffing that is not actionable as false advertising." 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 27:38 (4th ed.1997).

American Council, 185 F.3d at 614; *Johnson & Johnson, Inc. v. GAC Int'l, Inc.*, 862 F.2d 975, 977 (2d Cir.1988); *U-Haul Inter'l, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1040 (9th Cir.1986). On the other hand, if the statements at issue are either ambiguous or true but misleading, the plaintiff must present evidence of actual deception. *See American Council*, 185 F.3d at 616; *Smithkline*, 960 F.2d at 297 (stating that when a "plaintiff's theory of recovery is premised upon a claim of implied falsehood, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse"); *Avila*, 84 F.3d at 227. The plaintiff may not rely on the judge or the jury to determine, "based solely upon his or her own intuitive reaction, whether the advertisement is deceptive." *Smithkline*, 960 F.2d at 297. Instead, proof of actual deception requires proof that "consumers were actually deceived by the defendant's ambiguous or true-but-misleading statements." *American Council*, 185 F.3d at 616; *see also Avis Rent A Car Sys., Inc. v. Hertz Corp.*, 782 F.2d 381, 386 (2d Cir.1986)(stating that the plaintiff's claim fails due to its failure to introduce evidence establishing that the public was actually deceived by the statements at issue).

(b)

The type of evidence needed to prove materiality also varies depending on what type of recovery the plaintiff seeks. Plaintiffs looking to recover monetary damages for false or misleading advertising that is not literally false must prove actual deception. *See Balance Dynamics Corp. v. Schmitt Ind.*, 204 F.3d 683, 690 (6th Cir.2000); *Resource Developers*, 926 F.2d at 139. Plaintiffs attempting to prove actual deception have to produce evidence of actual consumer reaction to the challenged advertising or surveys showing that a substantial number of consumers were actually misled by the advertisements. *See, e.g., PPX Enters., Inc. v. Audiofidelity Enters., Inc.*, 818 F.2d 266, 271 (2d Cir.1987) ("Actual consumer confusion often is demonstrated through

the use of direct evidence, e.g., testimony from members of the buying public, as well as through circumstantial evidence, e.g., consumer surveys or consumer reaction tests.").

Plaintiffs seeking injunctive relief must prove that defendant's representations "have a tendency to deceive consumers." *Balance Dynamics*, 204 F.3d 683 at 690. *See also Resource Developers*, 926 F.2d at 139; *Blue Dane Simmental Corp. v. American Simmental Assoc.*, 178 F.3d 1035, 1042-43 (8th Cir.1999); *Black Hills Jewelry Mfg. Co. v. Gold Rush, Inc.*, 633 F.2d 746, 753 (8th Cir.1980); 4 McCarty on Trademark and Unfair Competition § 27:36 (4th ed.). Although this standard requires less proof than actual deception, plaintiffs must still produce evidence that the advertisement tends to deceive consumers. *See Coca-Cola Co. v. Tropicana Prod., Inc.*, 690 F.2d 312, 317 (2d Cir.1982) (noting that when seeking a preliminary injunction barring an advertisement that is implicitly false, "its tendency to violate the Lanham Act by misleading, confusing or deceiving should be tested by public reaction"). To prove a tendency to deceive, plaintiffs need to show that at least some consumers were confused by the advertisements. *See, e.g., American Council*, 185 F.3d at 618 ("Although plaintiff need not present consumer surveys or testimony demonstrating actual deception, it must present evidence of some sort demonstrating that consumers were misled.")

IV

We turn now to consider the case before us. Reduced to its essence, the question is whether the evidence, viewed in the most favorable light to Pizza Hut, established that Papa John's slogan "Better Ingredients. Better Pizza." is misleading and violative of section 43(a) of the Lanham Act. In making this determination, we will first consider the slogan "Better Ingredients. Better Pizza." standing alone to determine if it is a statement of fact capable of deceiving a substantial segment of the consuming public to which it was

directed. Second, we will determine whether the evidence supports the district court's conclusion that after May 1997, the slogan was tainted, and therefore actionable, as a result of its use in a series of ads comparing specific ingredients used by Papa John's with the ingredients used by its "competitors."

A

The jury concluded that the slogan itself was a "false or misleading" statement of fact, and the district court enjoined its further use. Papa John's argues, however, that this statement "quite simply is not a statement of fact, [but] rather, a statement of belief or opinion, and an argumentative one at that." Papa John's asserts that because "a statement of fact is either true or false, it is susceptible to being proved or disproved. A statement of opinion or belief, on the other hand, conveys the speaker's state of mind, and even though it may be used to attempt to persuade the listener, it is a subjective communication that may be accepted or rejected, but not proven true or false." Papa John's contends that its slogan "Better Ingredients. Better Pizza." falls into the latter category, and because the phrases "better ingredients" and "better pizza" are not subject to quantifiable measures, the slogan is non-actionable puffery.

We will therefore consider whether the slogan standing alone constitutes a statement of fact under the Lanham Act. Bisecting the slogan "Better Ingredients. Better Pizza.," it is clear that the assertion by Papa John's that it makes a "Better Pizza." is a general statement of opinion regarding the superiority of its product over all others. This simple statement, "Better Pizza.," epitomizes the exaggerated advertising, blustering, and boasting by a manufacturer upon which no consumer would reasonably rely. *See, e.g., In re Boston Beer Co.*, 198 F.3d 1370, 1372 (Fed.Cir.1999)(stating that the phrase "The Best Beer in America" was "trade puffery" and that such a general claim of superiority "should be freely available to all competitors in any given field to refer to their

products or services"); *Atari Corp. v. 3D0 Co.*, 1994 WL 723601, *2 (N.D.Cal.1994)(stating that a manufacturer's slogan that its product was "the most advanced home gaming system in the universe" was non-actionable puffery); *Nikkal Indus., Ltd. v. Salton, Inc.*, 735 F.Supp. 1227, 1234 n. 3 (S.D.N.Y.1990)(stating that a manufacturers claim that its ice cream maker was "better" than competition ice cream makers is non-actionable puffery). Consequently, it appears indisputable that Papa John's assertion "Better Pizza." is non-actionable puffery.[8]

Moving next to consider separately the phrase "Better Ingredients.," the same conclusion holds true. Like "Better Pizza.," it is typical puffery. The word "better," when used in this context is unquantifiable. What makes one food ingredient "better" than another comparable ingredient, without further description, is wholly a matter of individual taste or preference not subject to scientific quantification. Indeed, it is difficult to think of any product, or any component of any product, to which the term "better," without more, is quantifiable. As our court stated in *Presidio*:

> The law recognizes that a vendor is allowed some latitude in claiming merits of his wares by way of an opinion rather than an absolute guarantee, so long as he hews to the line of rectitude in matters of fact. Opinions are not only the lifestyle of democracy, they are the brag in advertising that has made for the wide dissemination of products that otherwise would never have reached the households of our citizens. If we were to accept the

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[8] It should be noted that Pizza Hut uses the slogan "The Best Pizza Under One Roof." Similarly, other nationwide pizza chains employ slogans touting their pizza as the "best": (1) Domino's Pizza uses the slogan "Nobody Delivers Better."; (2) Danato's uses the slogan "Best Pizza on the Block."; (3) Mr. Gatti's uses the slogan "Best Pizza in Town: Honest!"; and (4) Pizza Inn uses the slogans "Best Pizza Ever." and "The Best Tasting Pizza."

> thesis set forth by the appellees, [that all statements by advertisers were statements of fact actionable under the Lanham Act,] the advertising industry would have to be liquidated in short order.

Presidio, 784 F.2d at 685. Thus, it is equally clear that Papa John's assertion that it uses "Better Ingredients." is one of opinion not actionable under the Lanham Act.

Finally, turning to the combination of the two non-actionable phrases as the slogan "Better Ingredients. Better Pizza.," we fail to see how the mere joining of these two statements of opinion could create an actionable statement of fact. Each half of the slogan amounts to little more than an exaggerated opinion of superiority that no consumer would be justified in relying upon. It has not been explained convincingly to us how the combination of the two phrases, without more, changes the essential nature of each phrase so as to make it actionable. We assume that "Better Ingredients." modifies "Better Pizza." and consequently gives some expanded meaning to the phrase "Better Pizza," i.e., our pizza is better because our ingredients are better. Nevertheless, the phrase fails to give "Better Pizza." any more quantifiable meaning. Stated differently, the adjective that continues to describe "pizza" is "better," a term that remains unquantifiable, especially when applied to the sense of taste. Consequently, the slogan as a whole is a statement of non-actionable opinion. Thus, there is no legally sufficient basis to support the jury's finding that the slogan standing alone is a "false or misleading" statement of fact.

B

We next will consider whether the use of the slogan "Better Ingredients. Better Pizza." in connection with a series of comparative ads found by the jury to be misleading—specifically, ads comparing Papa John's sauce and dough with the sauce and dough of its competitors—"tainted" the

statement of opinion and made it misleading under section 43(a) of the Lanham Act. Before reaching the ultimate question of whether the slogan is actionable under the Lanham Act, we will first examine the sufficiency of the evidence supporting the jury's conclusion that the comparison ads were misleading.

(1)

After the jury returned its verdict, Papa John's filed a post-verdict motion under Federal Rule of Civil Procedure 50 for a judgment as a matter of law. In denying Papa John's motion, the district court, while apparently recognizing that the slogan "Better Ingredients. Better Pizza." standing alone is non-actionable puffery under the Lanham Act, concluded that after May 1997, the slogan was transformed as a result of its use in connection with a series of ads that the jury found misleading. These ads had compared specific ingredients used by Papa John's with the ingredients used by its competitors.[9] In essence, the district court held that the comparison ads in which the slogan appeared as the tag line gave objective, quantifiable, and fact-specific meaning to the

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[9] In its memorandum opinion addressing Papa John's post-verdict Rule 50 motion, the court stated:

> Although Papa John's started in May 1995 with a slogan which was essentially ambiguous and self-laudatory, consistent with the legal definition of non-actionable puffery, Papa John's deliberately and intentionally exploited its slogan as a centerpiece of its subsequent advertising campaign after May 1997 which falsely portrayed Papa Johns's [sic] tomato sauce and pizza dough as being superior to the sauce and dough components used in Pizza Hut's pizza products. When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated the provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined.

slogan. Consequently, the court concluded that the slogan was misleading and actionable under section 43(a) of the Lanham Act and enjoined its further use.

(2)

We are obligated to accept the findings of the jury unless the facts point so overwhelmingly in favor of one party that no reasonable person could arrive at a different conclusion. *See Scottish Heritable Trust v. Peat Marwick Main & Co.*, 81 F.3d 606, 610 (5th Cir.1996). In examining the record evidence, we must view it the way that is most favorable to upholding the verdict. *See Hiltgen v. Sumrall*, 47 F.3d 695, 700 (5th Cir.1995). Viewed in this light, it is clear that there is sufficient evidence to support the jury's conclusion that the sauce and dough ads were misleading statements of fact actionable under the Lanham Act.

Turning first to the sauce ads, the evidence establishes that despite the differences in the methods used to produce their competing sauces: (1) the primary ingredient in both Pizza Hut and Papa John's sauce is vine-ripened tomatoes; (2) at the point that the competing sauces are placed on the pizza, just prior to putting the pies into the oven for cooking, the consistency and water content of the sauces are essentially identical; and (3) as noted by the district court, at no time "prior to the close of the liability phase of trial was any credible evidence presented [by Papa John's] to demonstrate the existence of demonstrable differences" in the competing sauces. Consequently, the district court was correct in concluding that: "Without any scientific support or properly conducted taste preference test, by the written and/or oral negative connotations conveyed that pizza made from tomato paste concentrate is inferior to the 'fresh pack' method used by Papa John's, its sauce advertisements conveyed an impression which is misleading. . . ." Turning our focus to the dough ads, while the evidence clearly established that Papa John's and Pizza Hut employ different methods in

making their pizza dough, again, the evidence established that there is no quantifiable difference between pizza dough produced through the "cold or slow-fermentation method" (used by Papa John's), or the "frozen dough method" (used by Pizza Hut).[10] Further, although there is some evidence indicating that the texture of the dough used by Papa John's and Pizza Hut is slightly different, this difference is not related to the manufacturing process used to produce the dough. Instead, it is due to a difference in the wheat used to make the dough. Finally, with respect to the differences in the pizza dough resulting from the use of filtered water as opposed to tap water, the evidence was sufficient for the jury to conclude that there is no quantifiable difference between dough produced with tap water, as opposed to dough produced with filtered water.

We should note again that Pizza Hut does not contest the truthfulness of the underlying factual assertions made by Papa John's in the course of the sauce and dough ads. Pizza Hut concedes that it uses "remanufactured" tomato sauce to make its pizza sauce, while Papa John's uses "fresh-pack." Further, in regard to the dough, Pizza Hut concedes the truth of the assertion that it uses tap water in making its pizza dough, which is often frozen, while Papa John's uses filtered water to make its dough, which is fresh—never frozen. Consequently, because Pizza Hut does not contest the factual basis of Papa John's factual assertions, such assertions cannot be found to be factually false, but only impliedly false or misleading.

Thus, we conclude by saying that although the ads were true about the ingredients Papa John's used, it is clear that there was sufficient evidence in the record to support the jury's conclusion that Papa John's sauce and dough ads were

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[10] The testimony of Pizza Hut's expert, Dr. Faubion, established that although consumers stated a preference for fresh dough rather than frozen dough, when taste tests were conducted, respondents were unable to distinguish between pizza made on fresh as opposed to frozen dough.

misleading—but not false—in their suggestion that Papa John's ingredients were superior.

(3)

Thus, having concluded that the record supports a finding that the sauce and dough ads are misleading statements of fact, we must now determine whether the district court was correct in concluding that the use of the slogan "Better Ingredients. Better Pizza." in conjunction with these misleading ads gave quantifiable meaning to the slogan making a general statement of opinion misleading within the meaning of the Lanham Act.

In support of the district court's conclusion that the slogan was transformed, Pizza Hut argues that "in construing any advertising statement, the statement must be considered in the overall context in which it appears." Building on the foundation of this basic legal principle, *see Avis*, 782 F.2d at 385, Pizza Hut argues that "[t]he context in which Papa John's slogan must be viewed is the 2½ year campaign during which its advertising served as 'chapters' to demonstrate the truth of the 'Better Ingredients. Better Pizza.' book." Pizza Hut argues, that because Papa John's gave consumers specific facts supporting its assertion that its sauce and dough are "better"—specific facts that the evidence, when viewed in the light most favorable to the verdict, are irrelevant in making a better pizza—Papa John's statement of opinion that it made a "Better Pizza" became misleading. In essence, Pizza Hut argues, that by using the slogan "Better Ingredients. Better Pizza." in combination with the ads comparing Papa John's sauce and dough with the sauce and dough of its competitions, Papa John's gave quantifiable meaning to the word "Better" rendering it actionable under section 43(a) of the Lanham Act.

We agree that the message communicated by the slogan "Better Ingredients. Better Pizza." is expanded and given

additional meaning when it is used as the tag line in the misleading sauce and dough ads. The slogan, when used in combination with the comparison ads, gives consumers two fact-specific reasons why Papa John's ingredients are "better." Consequently, a reasonable consumer would understand the slogan, *when considered in the context of the comparison ads*, as conveying the following message: Papa John's uses "better ingredients," which produces a "better pizza" because Papa John's uses "fresh-pack" tomatoes, fresh dough, and filtered water. In short, Papa John's has given definition to the word "better." Thus, when the slogan is used in this context, it is no longer mere opinion, but rather takes on the characteristics of a statement of fact. When used in the context of the sauce and dough ads, the slogan is misleading for the same reasons we have earlier discussed in connection with the sauce and dough ads.[11]

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[11] The judgment of the district court enjoining the future use by Papa John's of the slogan "Better Ingredients. Better Pizza." did not simply bar Papa John's use of the slogan in future ads comparing its sauce and dough with that of its competitors. Rather, the injunction permanently enjoined any future use of the slogan "in association with the sale, promotion and/or identification of pizza products sold under the Papa John's name." Further, the injunction precluded Papa John's from using the "adjective 'better' to modify the terms 'ingredients' and/or 'pizza.'" While it is clear that the jury did not make any finding to support such a broad injunction, and Pizza Hut offered no survey evidence indicating how potential consumers viewed the slogan, the district court concluded that the evidence established that

> Papa John's deliberately and intentionally exploited its slogan as a centerpiece of its subsequent advertising campaign after May 1997 which falsely portrayed Papa John's tomato sauce and pizza dough as being superior to the sauce and dough components used in Pizza Hut's products. . . . [Thus,] the slogan itself became tainted to the extent that its continued use should be enjoined.

Our review of the record convinces us that there is simply no evidence to support the district court's conclusion that the slogan was irreparably tainted as a result of its use in the misleading comparison sauce and dough

(4)

Concluding that when the slogan was used as the tag line in the sauce and dough ads it became misleading, we must now determine whether reasonable consumers would have a tendency to rely on this misleading statement of fact in making their purchasing decisions. We conclude that Pizza Hut has failed to adduce evidence establishing that the misleading statement of fact conveyed by the ads and the slogan was material to the consumers to which the slogan was directed. Consequently, because such evidence of materiality is necessary to establish liability under the Lanham Act, the district court erred in denying Papa John's motion for judgment as a matter of law.

As previously discussed, none of the underlying facts supporting Papa John's claims of ingredient superiority made in connection with the slogan were literally false. Consequently, in order to satisfy its prima facie case, Pizza Hut was required to submit evidence establishing that the

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ads. At issue in this case were some 249 print ads and 29 television commercials. After a thorough review of the record, we liberally construe eight print ads to be sauce ads, six print ads to be dough ads, and six print ads to be both sauce and dough ads. Further, we liberally construe nine television commercials to be sauce ads and two television commercials to be dough ads. Consequently, out of a total of 278 print and television ads, the slogan appeared in only 31 ads that could be liberally construed to be misleading sauce or dough ads.

We find simply no evidence, survey or otherwise, to support the district court's conclusion that the advertisements that the jury found misleading—ads that constituted only a small fraction of Papa John's use of the slogan—somehow had become encoded in the minds of consumers such that the mention of the slogan reflectively brought to mind the misleading statements conveyed by the sauce and dough ads. Thus, based on the record before us, Pizza Hut has failed to offer sufficient evidence to support the district court's conclusion that the slogan had become forever "tainted" by its use as the tag line in the handful of misleading comparison ads.

impliedly false or misleading statements were material to, that is, they had a tendency to influence the purchasing decisions of, the consumers to which they were directed.[12] *See American Council*, 185 F.3d at 614 (stating that "a plaintiff relying upon statements that are literally true yet misleading cannot obtain relief by arguing how consumers could react; it must show how consumers actually do react"); *Smithkline*, 960 F.2d at 298; *Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222, 228-29 (3d Cir.1990); *Avis*, 782 F.2d at 386; *see also* 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 27:35 (4th ed.1997)(stating that the "[p]laintiff must make some showing that the defendant's misrepresentation was 'material' in the sense that it would have some effect on consumers' purchasing decision").[13] We conclude that the evidence proffered by Pizza Hut fails to make an adequate showing.

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[12] Since Pizza Hut sought only equitable relief and no monetary damages, it was required to offer evidence sufficient to establish that the claims made by Papa John's had the "*tendency to deceive consumers*," rather than evidence indicating that the claims made by Papa John's *actually deceived consumers*. *American Council*, 185 F.3d at 606; *see also Balance Dynamics*, 204 F.3d at 690 (emphasis added).

[13] In *Johnson & Johnson v. Smithkline Beecham Corp.*, 960 F.2d 294 (2d Cir.1992), the Second Circuit discussed this requirement in some detail:

> Where, as here, a plaintiff's theory of recovery is premised upon a claim of implied falsehood, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse consumers. It is not for the judge to determine, based solely upon his or her own intuitive reaction whether the advertisement is deceptive. Rather, as we have reiterated in the past, "the question in such cases is—what does the person to whom the advertisement is addressed find to be the message?" That is, what does the public perceive the message to be.
>
> The answer to this question is pivotal because, where the advertisement is literally true, it is often the only measure by which a court can determine whether a commercial's net communicative

In its appellate brief and during the course of oral argument, Pizza Hut directs our attention to three items of evidence in the record that it asserts establishes materiality to consumers. First, Pizza Hut points to the results of a survey conducted by an "independent expert" (Dr. Dupont) regarding the use of the slogan "Better Ingredients. Better Pizza." as written on Papa John's pizza box (the box survey). The results of the box survey, however, were excluded by the district court.[14] Consequently, these survey results provide no basis for the jury's finding.

Second, Pizza Hut points to two additional surveys conducted by Dr. Dupont that attempted to measure consumer perception of Papa John's "taste test" ads. This survey evidence, however, fails to address Pizza Hut's claim of materiality with respect to the slogan. Moreover, the jury rejected Pizza Hut's claims of deception with regard to Papa John's "taste test" ads—the very ads at issue in these surveys.

Finally, Pizza Hut attempts to rely on Papa John's own tracking studies and on the alleged subjective intent of Papa John's executives "to create a perception that Papa John's in fact uses better ingredients" to demonstrate materiality. Although Papa John's 1998 Awareness, Usage & Attitude Tracking Study showed that 48% of the respondents believe that "Papa John's has better ingredients than other national pizza chains," the study failed to indicate whether the conclusions resulted from the advertisements at issue, or from personal eating experiences, or from a combination of both. Consequently, the results of this study are not reliable or

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> effect is misleading. Thus, the success of a plaintiff's implied falsity claim usually turns on the persuasiveness of a consumer survey.

Id. at 287-98.

[14] Pizza Hut has not sought review on appeal of the district court's ruling that the results of the box survey were inadmissible.

probative to test whether the slogan was material. Further, Pizza Hut provides no precedent, and we are aware of none, that stands for the proposition that the subjective intent of the defendant's corporate executives to convey a particular message is evidence of the fact that consumers in fact relied on the message to make their purchases. Thus, this evidence does not address the ultimate issue of materiality.

In short, Pizza Hut has failed to offer probative evidence on whether the misleading facts conveyed by Papa John's through its slogan were material to consumers: that is to say, there is no evidence demonstrating that the slogan had the tendency to deceive consumers so as to affect their purchasing decisions. *See American Council*, 185 F.3d at 614; *Blue Dane*, 178 F.3d at 1042-43; *Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222, 228-29 (3d Cir.1990). Thus, the district court erred in denying Papa John's motion for judgment as a matter of law.[15]

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[15] It is unnecessary to reach the issue of whether the district court committed reversible error when it refused to submit Papa John's proposed special jury interrogatories on the essential Lanham Act elements of materiality and injury. *See supra* note 2. However, given our clear precedent that once a case is submitted to the jury via special interrogatories, "the judge must submit all material issues raised by the pleadings and the evidence," the correctness of the district court's refusal to submit instructions on these two essential issues is doubtful. *Simien v. S.S. Kresge Co.*, 566 F.2d 551, (5th Cir.1978); *see also Huddleston v. Herman & MacLean*, 640 F.2d 534 (5th Cir.1981), *aff'd in part and rev'd in part on other grounds*, 459 U.S. 375, 103 S.Ct. 683, 74 L.Ed.2d 548 (1983); *Nance v. Gulf Oil Corp.*, 817 F.2d 1176, 1180-81 (5th Cir.1987); 9A Charles A. Wright and Arthur R. Miller, Federal Practice and Procedure § 2506 173-79 (1995)(stating that "all material factual issues should be covered by the questions submitted to enable a verdict to be rendered on the entire dispute on the basis of the jury's response").

Additionally, we note that the district court erred in requiring Papa John's to modify the Carney ads and the taste test ads. The Carney ads were removed from the jury's consideration by Pizza Hut, and the jury expressly concluded that the taste test ads were not actionable under

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In sum, we hold that the slogan "Better Ingredients. Better Pizza." standing alone is not an objectifiable statement of fact upon which consumers would be justified in relying. Thus, it does not constitute a false or misleading statement of fact actionable under section 43(a) of the Lanham Act.

Additionally, while the slogan, when appearing in the context of some of the post-May 1997 comparative advertising—specifically, the sauce and dough campaigns—was given objectifiable meaning and thus became misleading and actionable, Pizza Hut has failed to adduce sufficient evidence establishing that the misleading facts conveyed by the slogan were material to the consumers to which it was directed. Thus, Pizza Hut failed to produce evidence of a Lanham Act violation, and the district court erred in denying Papa John's motion for judgment as a matter of law.

Therefore, the judgment of the district court denying Papa John's motion for judgment as a matter of law is REVERSED; the final judgment of the district court is VACATED; and the case is REMANDED for entry of judgment for Papa John's.

REVERSED, VACATED, and REMANDED with instructions.

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section 43(a) of the Lanham Act. Thus, the district court, lacking the necessary factual predicate, abused its discretion in ordering Papa John's to modify these ads.

APPENDIX B

UNITED STATES DISTRICT COURT
N.D. TEXAS, DALLAS DIVISION

No. Civ.A. 3:98CV01902

PIZZA HUT, INC.,

v.

PAPA JOHN'S INTERNATIONAL, INC., *et al.*

Jan. 3, 2000

MEMORANDUM OPINION AND ORDER

SANDERSON, United States Magistrate Judge.

Pursuant to the consents of the parties and the District Court's order of transfer filed on October 22, 1998, in accordance with the provisions of 28 U.S.C. § 636(c), on October 25, 1999, this action came on for trial on the liability phase. Concurrently with the jury trial, the court received evidence with respect to injunctive relief sought by the parties. Upon the return of the jury's verdict and having waived the jury's determination of damages, the parties presented the damages issues to the court.

Based upon the jury's verdict and the evidence presented in support of injunctive relief and the parties' evidence on damages, the court addresses the matters in controversy with respect to advertising, Papa John's motion for judgment as a matter of law, the parties' claims for damages, and the issue of attorney's fees, and accordingly finds and orders as follows:

1. *Tomato Sauce Advertisements*

Tomato sauce is a key component in the parties' pizza products. The evidence established that Pizza Hut and Papa John's International, Inc., and Papa John's U.S.A., Inc. (hereinafter referred to as "Papa John's") use different processing methods in obtaining the tomato sauce for their pizzas, but both methods begin with fresh, vine-ripened tomatoes.

Since its inception Papa John's has purchased its tomato sauce from a single supplier, Stanislaus Products, Inc. ("Stanislaus"). Stanislaus uses a process alternately described as the "fresh pack" or the "annual pack" method. Stanislaus purchases fresh tomatoes from California tomato growers. Once the harvested tomatoes are delivered to Stanislaus's plant, the tomatoes are processed, cooked and canned after oil and spices have been added. Papa John's labels are affixed to the cans which are then shipped to Papa John's regional facilities, from which they are subsequently delivered to Papa John's pizza outlets. At the stores the contents of the cans are placed directly on the pizzas prior to cooking with only minimal additional preparations.

The tomato sauce used by Pizza Hut goes through multi-step processing from the time that the fresh tomatoes go through the initial processing until the time that the sauce is delivered to Pizza Hut pizza outlets. In the initial step, the tomatoes are reduced to a tomato paste which results in what has been described as remanufactured tomato paste or "sauce on demand." As compared to the processing which occurs at the Stanislaus plant, the initial phase produces a tomato paste which is more viscous with a much lower water content. The tomato paste is then stored in bulk form until it is needed for the next step in the manufacturing process.

Pizza Hut has contracts with third-party vendors, e.g. Hunt-Wesson, Inc., which prepare a tomato sauce concentrate in

accordance with Pizza Hut's specifications. In this step, water is added to the tomato paste along with oil and spices to create Pizza Hut's tomato sauce concentrate which is packed and then shipped to Pizza Hut warehouses for ultimate delivery to Pizza Hut's pizza outlets. Additional water is added to the pizza sauce concentrate at each pizza outlet before it is placed on a pizza prior to cooking.

At the time they are placed on uncooked pizzas, the consistency and water content of the tomato sauces used by the parties in their pizza products are essentially identical. Although different processing methods are used by each from the time the fresh tomatoes are cooked until the tomato sauce is applied to a pizza, there is no discernable measurable difference between the tomato sauces used by Papa John's and Pizza Hut.[1]

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[1] During the discovery phase of this case, numerous motions for protective order were filed in this court and in other federal districts by third-party vendors in response to Rule 45 subpoenas *duces tecum* served by the parties. *See, e.g.*, Stanislaus Food Products, Inc.'s Motion for Protective Order filed in this court and on which the court granted partial relief on July 14, 1999.

The thrust of the third-parties' motions was that the extensive discovery which the parties sought would require disclosure of confidential and proprietary information with respect to the their processing and production methods.

After reviewing extensive pleadings filed relative to Stanislaus's motion, and conducting two separate hearings on the motion, this court concluded that Stanislaus's interests in nondisclosure of its methods outweighed the interests of the parties in obtaining the detailed information sought. It is the court's understanding that the rationale for the protection granted was followed by other federal courts which considered similar motions for protective order.

The court's order of July 14, 1999, provided that if Papa John's could produce probative scientifically recognized data which showed differences between the tomato sauces used by Papa John's and by Pizza Hut, the issue of discoverability might be reconsidered. Neither

In the summer of 1997 Papa John's and its franchisees began running and distributing television and print advertising which depicted Papa John's pizza sauce in a kettle juxtaposed with pictures of congealed tomato paste in another frame. With respect to television commercials, the announcer's voice-over stated on some occasions that it was "what most big chains use."[2] *See, e.g.*, Plaintiffs Exh. 1-A-5[3]; *see also* Plaintiff's Exh. 1-A-16 (showing a picture of a can labeled "PIZZA PASTE"); Plaintiff's Exh. 1-A-25 (showing a glob of tomato paste in a clear bowl under a faucet). With respect to print advertising similar comparative pictorial depictions and written descriptions appear. *See, e.g.*, Plaintiff's Exhs. 2-B-105, 2-B-153, and 2-B-193. In its most recent television advertisement, see Plaintiff's Exh. 1-A-29, Papa John's depicts a sculpture made from tomato paste with a voice-over which states: "It's [what] some big pizza chains add water to to make their sauce."[4]

In addition, Papa John's advertising on other occasions specifically mentioned Pizza Hut by name in its sauce comparisons. *See, e.g.*, Plaintiff's Exhs. 1-A-11, 1-A-15, and 2-B-73. In its answers to Special Issue Nos. 5 and 6, the jury found that Papa John's sauce claims were false or misleading and that such claims deceived or were likely to deceive

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subsequent to the July 14, 1999 order, nor prior to the close of the liability phase of the trial was any credible evidence presented to demonstrate the existence of demonstrable differences.

[2] It is undisputed that Pizza Hut is currently the largest pizza chain in the United States.

[3] Although tapes of the television commercials were themselves admitted into evidence, the exhibit numbers for the commercials are those assigned to the "story boards" which were also admitted into evidence.

[4] Plaintiff's Exh. 1-A-29 was first aired after the discovery deadline and was admitted solely as evidence relating to Papa John's continuing advertising campaign.

ordinarily prudent consumers to whom the advertising was addressed or disseminated.

In a case where legal claims are tried to a jury and equitable claims are presented to the court, and the claims are "based on the same facts," "the Seventh Amendment requires the court to follow the jury's implicit or explicit factual determinations" in deciding the equitable claims. *Miller v. Fairchild Industries, Inc.*, 885 F.2d 498, 507 (9th Cir.1989), *cert. denied*, 494 U.S. 1056, 110 S.Ct. 1524, 108 L.Ed.2d 764 (1990); *see also*, *Williamson v. Handy Button Mach. Co.*, 817 F.2d 1290, 1293-94 (7th Cir.1987). Of course, this rule of law would not apply when a party is entitled to post-verdict relief under Rule 50(b)(1)(C), discussed under Part 6, *infra*, at p. 612.

Even if the court were not bound by the jury's findings, based upon the its independent consideration of the evidence presented in the liability phase of the trial, the court fully concurs in the findings of the jury with respect to Papa John's sauce advertising.

Without any scientific support or properly conducted taste preference test, by the written and/or oral negative connotations conveyed that pizza made from tomato paste concentrate is inferior to the "fresh pack" method used by Papa John's, its sauce advertisements convey an impression which is misleading and which is likely to mislead a substantial number of ordinarily prudent consumers into believing that Papa John's tomato sauce is superior to that of Pizza Hut's and of other major pizza chains. Papa John's sauce commercials are also false to the extent that they portray congealed tomato paste—in a can or free-standing—as the ultimate ingredient of other pizza chains' tomato sauce. *See, e.g.*, Plaintiff's Exhs. 2-B-193 and 2-B-153.

The Lanham Act does not prohibit a seller from fairly and truthfully expounding upon the characteristics and properties of its own products in its promotional advertising. However,

when a seller chooses to engage in advertising which compares its products to products of its competitors, it is unlawful to make false comparisons and to engage in advertising which misleads ordinarily prudent consumers into believing unfounded claims of superiority. Because Papa John's sauce claims violate the Lanham Act in these respects, Pizza Hut is entitled to injunctive relief set out more specifically in the court's judgment filed this day.

2. *Dough Advertisements*

Another major component of the parties' pizza products is the dough which is used to make the pizza crusts. The evidence at trial established four methods of preparation of the dough and crusts used by the parties in making pizza.

The predominate method used by Papa John's in preparing its pizza dough is the cold or slow-fermentation method. Papa John's dough is prepared at regional commissaries. Flour and yeast are mixed with filtered water to form the dough which is then cut into balls of various sizes, each of which is sufficient to make an individual pizza crust. Following initial proofing [5] the dough is refrigerated, thus retarding the proofing process effected by the yeast. The dough is then transported to Papa John's pizza outlets. The retarding of the yeast's activity slows the proofing process such that the dough is not ready to be used in a pizza until approximately the third day after the dough is prepared at a commissary. Although there is an optimal point when the dough is at its best for use in a pizza crust (see testimony of Dr. John Faubion and Plaintiff's Exh. 383), there is a four day "window" during which the dough may be used to produce an acceptable crust. *Id.* Dough used prior to the "window" is not sufficiently proofed, while dough which is more than

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[5] Proofing is the term used to describe the rising of dough caused by the yeast's action.

approximately 6½ days old is "over-proofed" and is thrown away.

A second method, used by Pizza Hut to make pizza crusts, is the frozen dough method. The largest number of pizzas sold under the Pizza Hut trademark are made from frozen crusts. *See e.g.*, Defendant's Exhs. 93, 2452, 2453, 2454, 2455, and 2459; and testimony of Dr. R. Carl Hoseney. This method involves a manufacturing process in which the dough is formed into pizza crusts, which are proofed, and then quick frozen. The crusts remain in this frozen state until they are thawed for use in a pizza. The freezing renders the yeast inert and therefore no additional "proofing" of the dough occurs.

A smaller number of pizza crusts are "par-baked." During the manufacturing process, the dough is formed into crusts, which are then proofed and partially baked before shipping to the pizza chain outlets. Essentially all that remains to be done is to brown the crusts in the course of preparing individual pizzas.[6]

The final method used by Pizza Hut in preparing crusts for its family-size Pan Pizza and some other pizzas prepared at its pizza outlets is the "pre-mix" method. This method entails a process in which the dry ingredients including yeast are mixed together and packaged by a manufacturer. The dry "pre-mix" is ultimately delivered to each Pizza Hut location where it is mixed with water to produce the dough to make the pizza crusts. Like the cold or slow-fermentation process, the yeast remains alive and is activated once the water is added to the "pre-mix." After the dough is allowed to proof for not less than three hours, it can be used for up to fifteen hours thereafter. Similarly, although the useful life of the dry

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[6] Par-baking is the process used for brown-and-serve rolls, commonly found in grocery stores.

"pre-mix" is appreciably longer that the cold or slow fermentation process, there is a point at which the yeast die, after which the dry "pre-mix" ingredients can no longer be used.

Although the evidence shows that each method presents some logistical problems there is no evidence that one method is superior to the others in producing a suitable pizza crust when the proper procedures are followed.

The parties also use different wheat stocks to make their dough. In the case of Papa John's, spring wheat is used, while Pizza Hut uses winter wheat in its flour. The spring wheat used by Papa John's has a slightly higher protein content, but the major differences are ones in the texture of the crusts.

Prior to around June 1997 it was standard procedure for Papa John's outlets to use municipal tap water to rinse out tomato sauce cans, the residue from which was added to the tomato sauce prior to spreading it on uncooked pizzas. Around June 1997 Papa John's began using filtered, ozonated water at all commissaries which manufactured the Papa John's slow-fermentation dough. At about the same time, Papa John's began running advertisements which described its dough as being made with "clear filtered water" and further stated that "the biggest chain"[7] used "whatever comes out of the tap" concluding with a picture of John Schnatter, Papa John's founder and CEO, standing beside a Papa John's employee washing a cooking container in a sink, stating that "tap water belongs here. Not in our dough." *See, e.g.*, Plaintiff's Exhs. 1-A-6, 2-B-87, 2-B-106, 2-B-239, and 2-B-285.

When this and similar ads began to run on television and in print advertising, e.g. Plaintiff's Exhs. 2-B-87, 2-B-106, 2-B-

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[7] *See* note 2, *supra*.

239, and 2-B-285, Papa John's received at least a dozen complaints from municipal water departments, including the Louisville Water Company, the city where Papa John's headquarters are located. *See* Plaintiff's Exh. 129 (complaining about the advertising's implication that municipal water supplies were inferior or unsafe).

In addition, Papa John's ads made explicit reference to the fact that its dough was never frozen. *See, e.g.*, Plaintiff's Exhs. 2-B-118, 2-B-126, 2-B-152, 2-B-186, and 2-B-194.

In August 1998 Pizza Hut began running "corrective" television commercials in response to Papa John's advertising claims. Two of the commercials made specific reference to the fact that Papa John's pizza dough was trucked in and was up to six days old before it was used, while noting that Pizza Hut's dough was made fresh daily in its stores. *See* Defendant's Exhs. 20 and 1123.

The uncontroverted testimony of Dr. Faubion established that when consumers are asked to state a preference between fresh and frozen dough, fresh dough is preferred, but that when taste test respondents are asked to distinguish between crusts made from fresh dough and those made from frozen dough in blind taste tests[8], there is no statistically significant preference between the two. *See also*, Plaintiff's Exh. 339.

Papa John's emphasis on fresh vs. frozen dough in its commercials plays upon a commonly held-though unsupported-bias in favor of fresh ingredients as opposed to those which have been frozen. Therefore, its claims that its pizza crust is superior to that of Pizza Hut's frozen crusts is misleading to ordinarily prudent consumers. Likewise, Papa John's assertion that its dough made with filtered, ozonated water is better and that dough made with water from

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[8] In a blind taste test, a respondent does not know whether a specific crust sample was made from frozen or fresh dough.

approved municipal or water supply districts is inferior or unsafe is both false and misleading.

Although corrective advertising may be permissible under appropriate circumstances, this form of self-help does not permit a victim of unfair advertising to respond with advertising which itself violates the Lanham Act. Both of Pizza Hut's "corrective" television ads, *i.e.*, Defendant's Exhs. 20 and 1123, are false and misleading (1) in suggesting that Papa John's dough prepared by the slow fermentation process results in a dough that is inferior to the dough prepared by Pizza Hut using the pre-mix method; (2) in failing to disclose that the majority of the crusts used to make pizzas sold under the Pizza Hut name are frozen; and (3) in failing to identify specifically the pizzas which are prepared using "pre-mix" dough.

As a matter of fact, the methods used by each party to prepare its pizza dough in accordance with their respective specifications and consistent with their operational manuals, produce doughs which are qualitatively indistinguishable. Essentially both sides have exploited the differences in their dough preparation methods to draw false qualitative comparisons between the methods used, disparaging the pizza products of the other party and thereby misleading the consumers to whom the advertising is directed. Accordingly, to the extent that each side's advertising with reference to dough violates the Lanham Act, injunctive relief will be granted as set out in the Court's judgment.

3. *Papa John's Taste Test Advertising*

Following the introduction of Pizza Hut's Lightning Bolt pizza in May 1997 which incorporated a new delivery box (Defendant's Exh.2075) (imprinted with the statement "We dare you to find a better pizza"), Papa John's began running television commercials stating that in comparative taste tests,

Papa John's pizza was preferred. *See, e.g.*, Plaintiff's Exhibits 1-A-11, 1-A-20, and 1-A-24.

Mr. Schnatter prominently appeared in the Papa John's commercials. The announcer's voice-over stated "that Papa John commissioned an independent taste test" and that "Papa John's won, won big time."[9] Superimposed on the screen during a part of each commercial was a printed legend identifying the respective pizza products of each which were tested and the fact that regional testing had been conducted, and qualified by the fact that the comparisons were made between the responses of those persons who expressed a preference.

Other evidence in the case demonstrated that in mall surveys, when respondents were specifically directed to view a commercial two times in succession, a substantial number of the respondents failed to observe the "supers" or the contents thereof.

In fact, a minority of the respondents to Papa John's taste tests expressed a preference for Papa John's pizza products. The responses of the majority either fell in a category with no preference or a category which preferred Pizza Hut's tested products. Under such circumstances, the voice-over which proclaimed that Papa John's pizza "won big time," which is highly qualified by the "super" appearing in print, is false or misleading, as found by the jury. *See* Jury's Answer to Special Issue No. 3.

Pizza Hut argues that Papa John's taste tests advertisements are rendered false or misleading by the additional factor that Papa John's taste tests did not seek to compare Papa John's pizza to Pizza Hut's bestselling pizza, the Pan

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[9] Plaintiff's Exh. 1-A-11 also contains a depiction of Pizza Hut's tomato sauce, made from "remanufactured paste." See Part 1. Tomato Sauce, *supra*.

Pizza. The fact is that Papa John's compared its pizza to Pizza Hut's comparable pizza products. As long as the advertising is specific as to which pizzas of each party were included in the taste tests, such is sufficient to adequately inform ordinarily prudent consumers, thereby foreclosing a finding that this aspect of the taste test advertising violates the Lanham Act.

When regional taste tests are used as the basis for taste test results in order to avoid misleading consumers as to the relevance of such results, the advertising should disclose the cities or states in which the tests were administered and the month and year in which they were conducted.

Papa John's also ran television advertising which prominently featured Frank Carney, a co-founder of Pizza Hut who has owned Papa John's franchises since 1993. *See* Plaintiff's Exhs. 1-A-1 and 1-A-2. His status as a co-founder of Pizza Hut tends to give an added cachet to his personal preference for Papa John's pizza. It is inappropriate to bar Papa John's from the continued use of such commercials. However, to avoid the misleading effect which such commercials would otherwise have, any future use of the "Frank Carney" commercials or subsequently made commercials featuring Mr. Carney and identifying his status as a co-founder of Pizza Hut should include a voice-over or prominent "super" stating that he has had no affiliation with Pizza Hut since 1980.

4. *Ingredients*

Pizza Hut seeks injunctive relief with respect to Papa John's advertising relating to the ingredients used in Papa John's pizzas. Whether such advertising violated the Lanham Act was presented to the jury in the liability phase of the trial. *See* Court's Instructions to the Jury at p. 8, Special Issue No. 9. On this issue, the jury found that Pizza Hut failed to prove its claim. *See* Jury's Answer to Special Issue No. 9.

Since the evidence presented to the jury and to the court with respect to Pizza Hut's "ingredients" claim was in all respects identical, the jury's determination on this issue forecloses any injunctive relief on this claim.[10]

5. *"Better Ingredients, Better Pizza," Slogan*

In late 1994 Mr. Schnatter contacted Jack Trout for the purpose of assisting Papa John's in developing a new advertising slogan or "tag line." Mr. Trout met with personnel of Papa John's and reviewed Papa John's operations and subsequently recommended a slogan, "The Better the Ingredients, the Better the Pizza." The head of Papa John's marketing department, in turn, shortened the slogan to "Better Ingredients. Better Pizza."

Beginning in May 1995 Papa John's began using the slogan "Better Ingredients. Better Pizza," in its print and its radio and television advertising. Papa John's also placed the slogan on its pizza boxes, condiment containers and signage.

After Papa John's began using the new slogan, Pizza Hut management perceived that it conveyed a message of superior quality ingredients. However, despite its desire to keep Papa John's from using it's newly adopted slogan, Pizza Hut management recognized that its only alternative at that time was to attempt to blunt the impact which the slogan would have on the pizza consuming public.

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[10] In the course of the deliberations, the jury requested, "[w]e would ask that the court clarify the scope of Special Issue No. 9. Specifically, the meaning and scope of the word 'ingredients,' which is italicized in the special issue, as are the words 'sauce' and 'dough' in Special Issues Nos. 5 and 7, respectively, is the question. Is it meant to be exclusive of dough and sauce, or is 'ingredients' meant to be inclusive of *all* ingredients, exclusive of sauce and dough?" (emphasis in original). In response, the court answered, "[i]n answer to your question the term 'ingredients' as used in Special Issue No. 9 is exclusive of the terms 'sauce' and 'dough.' "

In an effort to neutralize the effect of the "Better Ingredients. Better Pizza." slogan, Pizza Hut, at the direction of its then president David Novak, undertook a broad and in-depth campaign to improve Pizza Hut's pizzas. Internal surveys of Pizza Hut's customers were conducted to determine consumer perceptions about Pizza Hut's products. When these surveys suggested that quality perceptions had eroded, Pizza Hut's research and development department undertook a massive effort to develop a higher quality pizza with a larger quantity of ingredients as well as improvements in the preparation of its pizza products at Pizza Hut's pizza outlets. The campaign was dubbed the "Lightning Bolt" project.

In early May 1997 Pizza Hut launched its new, improved pizza with a national sales campaign which included a television commercial in which Mr. Novak appeared, touting the improvements which had been made to Pizza Hut's pizzas.

Papa John's use of its "Better Ingredients. Better Pizza." slogan between its introduction and shortly before the launch of Pizza Hut's Lightning Bolt pizza remained essentially innocuous. Papa John's became aware of Pizza Hut's planned introduction of Pizza Hut's new and improved pizza prior to its inauguration, and developed the "Frank Carney" ads in an effort to blunt the effect of Pizza Hut's efforts.

However, even prior to Pizza Hut's launch of the "Lightning Bolt" project, Papa John's was being encouraged to draw specific comparisons to the ingredients used by Papa John's to those used by its competitors. In a memo to Mr. Schnatter dated September 5, 1995, from Stanislaus employees, it was noted that:

> Papa John's has a great positioning in the "Better Ingredients, Better Pizza" campaign! It is so strong we think it should be the unifying theme in *all* your ads.

> We liken your TV campaign to writing a book. "Better Ingredients, Better Pizza" is the book's title and unifying theme, while each spot is one chapter with a narrower focus that fits within the theme and reinforces it.

Plaintiff's Exh. 104 (emphasis in original). In responding to the Stanislaus comments on proposed commercials, Mr. Trout agreed in part, noting that: "The 'Better Ingredients' tagline should be crystal clear and the same at the end of each ad." *See* Plaintiff's Exh. No. 105.

In a later memo from Julie Ambrose, a Stanislaus employee, which Dino Cortopassi forwarded to Mr. Schnatter, Ms. Ambrose stated: ". . . I believe that print ads should always reinforce the 'Better Ingredients, Better Pizza' positioning and those *exact words* should be the most prominent in every ad." *See* Plaintiff's Exh. 110 (emphasis in original).

Subsequently, in October 1997—following the onset of Papa John's direct comparisons—Stanislaus critiqued later Papa John's ads. In this memo, Ms. Ambrose noted that:

> 1. The mission of Papa John's tv commercials should be to pound home your unique positioning—Better Ingredients, Better Pizza. That's the basis on which I'd evaluate every tv spot . . . . the mission never changes, i.e., Drive home "Better Ingredients, Better Pizza."

See Plaintiff's Exh. 130. In commenting on Ms. Ambrose's observations, Elliott Firestone, related:

> . . . let me say that when you have a great strategy—and, indeed we do—you don't have to "pound, pound, pound" away at it. Consumers "get it" even when you whisper it.

See Plaintiff's Exh. 132. In a second memo, responding to Ms. Ambrose's observations, Mr. Firestone commented on the effect of Papa John's post-May 1997 advertising, noting that: "The more reasons we can give the consumer to *believe*

Papa John's uses better ingredients to make a better pizza, the better." *See* Plaintiff's Exh. No. 131 (emphasis in original). Later in the same memo, Mr. Firestone opined that showing Pizza Hut's pizza sauce in the pouches in which it was actually delivered would likely not have the same impact as advertising depicting tomato paste. *Id.* In a later memo dated March 18, 1998, Mr. Firestone reiterated that: "Showing that yucky looking paste is a very memorable graphic device—specifically when compared to our fine sauce. . . ." *See* Plaintiff's Exh. 149. That Papa John's took this advice to heart is evidenced by the advertising which it embarked upon, *e.g.*, with respect to the methods used to manufacture its tomato sauce as compared to those of its competitors, See Plaintiff's Exhs. 1-A-5, etc., discussed in Part 1, *supra*.[11] Although Papa John's did not identify Pizza Hut by name in all of its advertising relating to tomato sauce, references to "most big chains", e.g., Plaintiff's Exh. 1-A-5; "most pizza delivery chains", e.g., Plaintiff's Exhs. 1-A-8 and 1-A-16; and "most leading chains", e.g. Plaintiff's Exh. B-193—based upon the experience and sophistication of ordinarily prudent consumers of pizza products—would have been interpreted by such consumers to include Pizza Hut's products.

Similarly, Papa John's modification in the manufacturing of its pizza dough with filtered, ozonated water was motivated primarily by its intention to use this change as a basis for drawing a negative comparison to the dough preparation methods of Pizza Hut. *See* Plaintiff's Exh. 375 (invoices for purchase and installation of filtration equipment

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[11] A prior "sauce" comparison television commercial was withdrawn by Papa John's after a NAD panel determined that the absence of a can containing Papa John's tomato sauce implied that Papa John's sauce was made from fresh tomatoes at each store. The advertisement was subsequently replaced by a commercial which showed Papa John's sauce being poured from a can into a cooking container.

at Papa John's commissaries justifying the purchase: "To attain a marketing position and enhance 'Better Ingredients, Better Pizza.' "). Likewise, without any survey support Papa John's advertising inferred that unfrozen pizza dough resulted in a superior crust to that made from frozen dough.

All of Papa John's advertising relating to tomato sauce comparisons and dough comparisons prominently featured its "Better Ingredients. Better Pizza." slogan as an integral part of its advertising. The slogan appears in Papa John's print advertising. *See, e.g.*, Plaintiff's Exhs. 2-B-73, 2-B-87, 2-B-105, 2-B-188, 2-B-142, 2-B-153, and 2-B-193. Likewise, Papa John's slogan is repeated in its television advertising, with a graphic display of the slogan and/or in the announcer's voice-over. *See, e.g.*, Plaintiff's Exhs. 1-A-6, 1-A-11, 1-A-15, 1-A-16, 1-A-25, and, 1-A-29. The adverse effect on Pizza Hut's pizza products by Papa John's use of the "Better Ingredients. Better Pizza." slogan in Papa John's advertising after May 1997 is further buttressed by the "box survey"[12] conducted by D^2 Research under the supervision of Dr. Thomas DuPont.

The "box survey" consisted of mall surveys in which respondents, qualified as pizza users, were asked to respond to the "Better Ingredients. Better Pizza." slogan appearing on Papa John's boxes. The surveys were conducted in cities selected from the fifteen cities in which Papa John's had the highest concentration of advertising. A total of 94.7% of the respondents recalled having seen Papa John's advertising. *See* Plaintiff's Exh. No. 326 at p. 19. Of the respondents who recalled the slogan appearing on Papa John's box, 65% interpreted the slogan to mean a comparison between Papa

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[12] For the reasons stated in the record, the "box survey," (Plaintiff's Exh. No. 326) and related testimony were excluded from the jury's consideration, but were admitted, for the court's consideration only, with respect to Pizza Hut's request for injunctive relief.

John's pizza and those of its competitors, *id.* at p. 16, and from that group, 89.7% believed that the comparison being drawn was to Pizza Hut's products, *id.* at p. 17.

Papa John's argues that Pizza Hut's prayer for injunctive relief as it relates to its slogan should be barred by laches. While it is clear that Pizza Hut learned of Papa John's use of the "Better Ingredients. Better Pizza." slogan shortly after its adoption in May 1995, the fact remains that it was not utilized in advertising which violated the Lanham Act until after May 1997. Further, a finding of laches alone ordinarily will not bar granting injunctive relief. *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 152 (5th Cir.1985).

Papa John's also argues that the equitable doctrine of unclean hands should be applied to preclude Pizza Hut's request for injunctive relief. Papa John's correctly observes that the jury found that two of Pizza Hut's commercials also violated the Lanham Act. *See* Jury's Answers to Special Issues Nos. 11, 12, 15 and 16. If Pizza Hut were the only entity adversely affected by Papa John's unlawful activity, application of unclean hands might be appropriate. But whenever a seller disseminates false or misleading advertising to the consuming public, consumers' ability to exercise independent purchasing decisions based on truthful comparisons is compromised and distorted. The public interest will be served by enjoining advertising which violates the Lanham Act, regardless of which party's advertising is under consideration. *Accord ALPO Petfoods, Inc. v. Ralston Purina Co. (Alpo I)*, 720 F.Supp. 194, 212-214 (D.D.C. 1989), *aff'd in part, rev'd in part on other grounds*, 913 F.2d 958 (D.C.Cir.1990).

In post-trial correspondence, Papa John's counsel suggests that enjoining Papa John's use of its slogan is too Draconian a measure because its advertising which the jury found to violate the Lanham Act was disseminated only in limited markets. However, there is no evidence in the record which

establishes exclusive, specific market areas in which Papa John's television commercials and print advertisements were received by potential pizza consumers.

Papa John's argues that no restraint should be placed on the use of its slogan in geographic areas where it currently has no operations. It is true that Papa John's does not currently market its pizzas in all fifty states. While this argument has some facial appeal, since prospective consumers of yet to-be-opened Papa John's stores are unlikely to have been exposed to Papa John's past unlawful advertising, such a qualification is impractical.

Any attempt to fashion an equitable remedy carving out specific geographic regions where Papa John's has no current operations would involve detailed qualifications of the relief granted which may well create unanticipated ambiguities in the injunction and make it more difficult to determine whether future conduct of Papa John's is violative of its terms. Also such qualifications would require Papa John's to develop two slogans—one with the "Better Ingredients. Better Pizza." slogan to be used in future markets and a second slogan to be developed by Papa John's to be used in national advertising and in those geographic regions where Papa John's was operating when the offending advertising was broadcast or disseminated in print.

The evidence showed that Papa John's has had at least two prior slogans before it adopted the "Better Ingredients. Better Pizza." slogan, *i.e.*, from 1984 to May 1995. Given the sums of money which Papa John's spends with advertising agencies, it is impossible to accept any suggestion that a new slogan cannot be developed. Despite the additional time and expense which Papa John's will incur in such endeavors, its obligation to do so is a consequence of its own conduct.

Although Papa John's started in May 1995 with a slogan which was essentially ambiguous and self-laudatory, consistent with the legal definition of non-actionable puffery,

Papa John's deliberately and intentionally exploited its slogan as a centerpiece of its subsequent advertising campaign after May 1997 which falsely portrayed Papa John's tomato sauce and pizza dough as being superior to the sauce and dough components used in Pizza Hut's pizza products. When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated the provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined.

6. *Papa John's Motion for Judgment as a Matter of Law*

At the close of Pizza Hut's case-in-chief, Papa John's moved for judgment as a matter of law pursuant to Rule 50(a)(1) which the court denied. Subsequently, Papa John's moved for judgment as a matter of law after both parties had rested and prior to submission to the jury on the liability phase of the trial. The court declined to grant the motion and submitted the liability issues to the jury. Accordingly, the court now considers Papa John's Amended Motion and Brief for Judgment as a Matter of Law filed on November 16, 1999, pursuant to Rule 50(b)(1)(C).

In determining the merits of a Rule 50 motion, the court applies the standards set out in *Boeing v. Shipman*, 411 F.2d 365, 374-375 (5th Cir.1969) (*en banc*):

> [The] court should consider all of the evidence—not just the evidence which supports the non-mover's—but in light and with all reasonable inferences most favorable to the party opposed to the motion. If the facts and inferences point so strongly and overwhelmingly in favor of one party that the Court believes that reasonable [jurors] could not arrive at a contrary verdict, granting [a motion for judgment as a matter of law] is proper. On

> the other hand, if there is substantial evidence opposed to the [motion], that is evidence of such quality and weight that reasonable and fair-minded [jurors] in the exercise of impartial judgment might reach different conclusions, the [motion] should be denied . . . . [I]t is the function of the jury as traditional finders of facts, and not the court, to weigh conflicting evidence and inferences, and determine the credibility of witnesses.

Papa John's argues that its slogan "Better Ingredients. Better Pizza." constitutes puffery as a matter of law and therefore requires that the jury's verdict on Special Issues 1 and 2 be set aside. For the reasons set out in Part 5, *supra*, Papa John's deliberate choice to use the slogan in its advertising violated the Lanham Act, and was part and parcel of its false and misleading advertising campaign.

Papa John's also contends that the jury's verdict cannot stand because Pizza Hut failed to present consumer survey evidence. The record reflects that the only evidence of consumer surveys consisted of the three studies conducted by Dr. DuPont, see Plaintiff's Exhs. 326, 327, and 328, and the testimony related to the survey results.[13] These studies tested the effect of two of Papa John's taste test television commercials and the Papa John's pizza delivery box.

When a merchandising statement is literally false, there is no need to consider the advertisement's impact on consumers. *Coca-Cola Co. v. Tropicana Products, Inc.*, 690 F.2d 312, 317 (2d Cir.1982); *Johnson & Johnson-Merck v. Rhone-Poulenc Rorer*, 19 F.3d 125, 129 (3d Cir.1994). Viewed in the light most favorable to the verdict, in the face of the uncontroverted evidence that Pizza Hut does not mix canned

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[13] The court excluded from the jury's consideration the testimony of Dr. DuPont with reference to the "box" surveys (Plaintiff's Exh. 326) on *Daubert* grounds, but admitted it with respect to Pizza Hut's prayer for injunctive relief.

tomato paste on the premises of its stores to prepare its tomato sauce and the absence of any evidence that other pizza chains' stores prepare tomato sauce directly from canned tomato paste, the jury could reasonably have found that Papa John's tomato sauce comparisons were literally false. *See, e.g.*, Plaintiff's Exhs. 1-A-5, 1-A-11, 1-A-15, 1- A-16,[14] 2-B-73, 2-B-105, 2-B-153, and 2-B-193. Such advertising closely parallels that described in *Coca-Cola*, 690 F.2d at 318.

Neither a court considering a prayer for injunctive relief, nor a jury empaneled to hear a Lanham Act case, is permitted to substitute personal opinions for that of the consumers to whom the advertising was addressed. Rather, ". . . the question in such cases is—what does the person to whom the advertisement is addressed find the message to be?" *American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160, 166 (2d Cir.1978). In the present case, the court's charge instructed the jury that witnesses' personal opinions as to the effect which advertising had on the average consumer should be disregarded and that they should decide issues based upon the interpretation which an ordinarily prudent consumer would give. *See* Court's Instructions to the Jury at p. 2, ¶ 5; *see also id.*, p. 4 at ¶ 6 and the elements enumerated on pp. 4-5.

In a number of opinions from other circuits, cited by Papa John's in its motion and brief, courts have stated that consumer surveys are necessary. *See, e.g., United Industries Corp. v. Clorox Co.*, 140 F.3d 1175, 1183 (8th Cir.1998) and collected cases. However, in *United Industries*, the court observed that the success of an action, based on statements which are not literally false "*usually* turns on the persuasiveness of a consumer survey." *Id.* at 1183 (emphasis

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[14] The same could be said for Plaintiff's Exh. 1-A-29, although it was admitted only to show, if it did, a continuing pattern in Papa John's advertising campaign.

added). Despite the frequent pronouncements of sister circuit courts, the court has found no cases holding as a matter of law that a consumer survey is a *sine qua non* for establishing liability under the Lanham Act where the advertising at issue is not literally false. Further, the Fifth Circuit has not addressed this issue.

Under some circumstances a consumer survey may be necessary where the consumers to whom the advertising was addressed have specialized training beyond the knowledge and expertise of lay persons. *See William H. Morris Co. v. Group W, Inc.*, 66 F.3d 255 (9th Cir.1995) (target audience consisting of retail pharmacists). However, it is clear that the targeted audience of Papa John's advertising, *i.e.*, potential purchasers of chain pizza products, do not constitute a group which has some higher level of expertise or knowledge than that possessed by the consuming public in general. Similarly, given the nature of the advertising at issue, there is no reason to believe that it conveyed esoteric messages which would not be understood by the consumer population at large.

American jurisprudence is replete with numerous circumstances in which the conduct at issue is determined in light of a hypothetical reasonable person standard, *e.g.*, negligence determinations viewed from the vantage point of a *reasonably* prudent person under the same or similar circumstances; hostile work environments in Title VII cases measured by whether a *reasonable* person would find such environments hostile; obscenity determinations viewed by the *average* person applying contemporary community standards. In those situations and even where expert testimony may be admissible to inform the fact finder's determinations, such is not required by law.

Under the circumstances of this case, the evidence presented to the jury and the instructions given to the jury, Pizza Hut was not required to prove its claims with consumer

surveys, and Papa John's Rule 50 motion on this basis will be denied.[15]

7. *Damages*

Both sides seek monetary damages for costs associated with "corrective advertising" run in response to the other's allegedly false or misleading advertising. *See* Pizza Hut's amended complaint filed on March 17, 1999, at p. 28, ¶ 13; Papa John's counterclaim filed on February 12, 1999, at p. 18, ¶ 66; *see also* Amended Joint Pre-Trial Order filed on October 25, 1999, I.A.8 at p. 4 and I.B.25 at p. 13.

Following the jury's verdict on the liability phase of the trial, the parties waived the jury's determination on damages and agreed to have the damages issues decided by the court. Accordingly, in this portion of the court's order, the court files its opinion with respect to the parties' respective claims for monetary damages. See R. 52(a).

The costs incurred by a party in responding to a competitor's false or misleading advertising claims are recoverable in a Lanham Act suit. *ALPO Petfoods, Inc. v. Ralston Purina Co., (Alpo I)*, 913 F.2d at 969; *U-Haul Int'l. Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1041 (9th Cir.1986). The advertising costs which are recoverable are the costs of "any completed advertising that actually and reasonably responds to the offending ads." *ALPO Petfoods*, 913 F.2d at 969, *citing Cuisinarts, Inc. v. Robot-Coupe Int'l. Corp.*, 580 F.Supp. 634, 641 (S.D.N.Y.1984); *see also, ALPO Petfoods, Inc. v. Ralston Purina (Alpo II)*, 997 F.2d 949, 952 (D.C.Cir.1993).

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[15] Although Papa John's amended Rule 50 motion was filed prior to the return of the jury's verdict, were its argument with respect to the absence of consumer surveys adopted by the court, it would require that the jury's verdict on Papa John's counterclaims—See Special Issues Nos. 11, 12, 15 and 16—be set aside as well, since Papa John's presented no consumer surveys in support of its counterclaims.

a. *Pizza Hut's Corrective Advertising Damages*

Pizza Hut seeks damages for costs related to four television commercials[16] and six print advertisements. *See* Declaration of Christopher Kuehn, Director of Field Marketing for Pizza Hut, executed on Dec. 3, 1999, and filed on Dec. 6, 1999.

The alleged corrective television commercials for which Pizza Hut seeks to recover damages are (1) "Compare-Orlando" (Kuehn Decl.Exh. 1); (2) "New Can All" (Kuehn Decl.Exh. 2); (3) "Less" (Defendant's Memorandum Concerning Damages, Attachment C—Defendant's Exh. 30A); and "Two Quotes" (Kuehn Decl.Exh. 3).

"Compare-Orlando" makes express comparisons between Pizza Hut pizzas and those of Papa John's. It claims that Pizza Hut's pizzas have 40% more toppings, that Pizza Hut uses fresh mushrooms as compared to Papa John's canned mushrooms and that Pizza Hut's Pan Pizza beat Papa John's Original Crust Pizza in regional taste tests. "Compare-Orlando" is the same commercial which was admitted in the liability phase of trial as Defendant's Exhibit 21A and identified as "Compare II." *See* Court's Instructions to the Jury at p. 13, Special Issues Nos. 13 and 14.

The court in *ALPO II*, 997 F.2d at 952, authorized recovery for corrective advertising expenses when "at the margin, the victim would not have undertaken the campaign *but for* the false ads." (Emphasis added).

The "taste test" segment of "Compare-Orlando" responds to the "taste test" segment of Papa John's commercials, proclaiming that Papa John's "won, won big time" when

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[16] Pizza Hut initially sought to recover for six television commercials, but has withdrawn its request for damages relating to two of the commercials, Defendant's Exhibits 20 and 1123, in light of the jury's determination that both violated the Lanham Act. *See* Jury's Answers to Special Issues Nos. 11, 12, 15, and 16. (Kuehn Decl. pp. 4-5, ¶ 6.)

compared to Pizza Hut's pizza. *See, e.g.*, Plaintiff's Exhs. 1-A-11 and 1-A-15. The jury found that Papa John's "taste test" commercials to be false or misleading. *See* Jury's Answer to Special Issue No. 3. Accordingly, the Court finds that Pizza Hut is entitled to recover its costs for "Compare-Orlando" ("Compare II").

The television commercials "New Can All" and "Less" are quite similar in the messages they convey. Both contain a voice-over relating that Papa John's wants you to think that its tomato sauce is fresh, but it is canned sauce, and both advertisements visually depict a Papa John's tomato sauce can. The remainder of each commercial makes comparisons between the two competitors' products. Although the jury found Papa John's "sauce" claims were false or misleading, see Jury's Answers to Special Issues Nos. 5 and 6, the vice of these advertisements is the fact that they represented that Pizza Hut's tomato sauce was made directly from tomato paste and further, without any support, Papa John's "sauce" advertisements asserted that the "fresh-pack" processing method used to make Papa John's tomato sauce produced a superior tomato sauce to Pizza Hut's tomato sauce concentrate. However, Papa John's commercials, see, e.g., Plaintiff's Exhs. 1-A-9, 1-A-15, 1-A-25, and 1-A-29, either have a voice-over stating that Papa John's sauce is canned fresh or visually depict a can containing Papa John's sauce.[17]

Succinctly stated, although "New Can All" and "Less" emphasize the fact that Papa John's tomato sauce is canned, the Pizza Hut commercials *do not correct* a false impression suggesting otherwise in the Papa John's commercials to which Pizza Hut's advertising responded. Therefore, Pizza Hut is not entitled to recover damages for these commercials.

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[17] The absence of a sauce can in Papa John's prior commercials was corrected in response to a NAD determination. *See* n. 11, *supra*.

Pizza Hut's final television commercial for which it seeks recovery, "Two Quotes" (Kuehn Decl.Exh. 3) was not offered in the liability phase. This commercial was run in response to a Papa John's advertisement (Plaintiff's Exh. No. 1-A-18) which in turn responded to Pizza Hut's commercial (Defendant's Exh. No. 1123—"Freshness") which the jury found violated the Lanham Act. *See* Jury's Answers to Special Issues Nos. 15 and 16. The dominant theme of "Two Quotes" remains the same as "Freshness", i.e., Papa John's uses trucked-in dough which is stale ("up to six days old before they use it"). The intervening commercial of Papa John's does not transform Pizza Hut's message to consumers into one which does not violate the Lanham Act. A party is not entitled to recover for advertising which itself is false and misleading. *See ALPO Petfoods, Inc. v. Ralston Purina Co. (Alpo II)*, 778 F.Supp. 555, 562 (D.D.C.1991), *aff'd in part, rev'd in part on other grounds*, 997 F.2d 949, 953 (D.C.Cir.1993).

The "stale dough" theme appears in two of Pizza Hut's print advertisements[18], i.e. a "bubble" statement on the lower corner "Dough made fresh daily—not pre-made dough balls 4 to 6 days old before they're used like Papa John's." (Kuehn Decl.Exh. 4.) For the reasons stated above, Pizza Hut is not entitled to recover its costs for print advertising which includes the "bubble" statement.

The remaining print ads prominently mention Papa John's by name and contain comparisons, to wit (1) "More great pizza choices than Papa John's" and (2) "40% more toppings than Papa John's." (Kuehn Decl.Exh. 4.)

Mike Rawlings, Pizza Hut's current president, testified in the liability phase that Pizza Hut does not ordinarily engage in comparative advertising and that Pizza Hut embarked on such an advertising track only after Papa John's commercials

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[18] None of the print ads were previously offered at trial.

began airing in May 1997. However, Papa John's presented evidence clearly showing that Pizza Hut has used comparative advertising against competitors by name in the past. *See, e.g.*, Defendant's Exhs. 2477, 2479, 2480.[19] Therefore, the Court does not give much weight or credence to Pizza Hut's contention that Papa John's advertising compelled it to respond with comparative advertising.

Perhaps more to the point is the character of the comparative print advertisements. Clearly, the primary thrust of them is to tout two undisputed facts—that Pizza Hut has a larger choice of pizzas than Papa John's and that it uses 40% more toppings. In determining whether these advertisements were reasonable responses, care must be given to limit recovery only to the damages sustained. Any award of damages for advertising which is not reasonably responsive is contrary to the concept of "corrective advertising" and would result in requiring a defendant to subsidize its competitors' advertising budget. Accordingly, Pizza Hut is not entitled to recover damages for these print advertisements.

For the foregoing reasons, the Court finds that Pizza Hut is entitled to recover corrective advertising costs only for those costs associated with the "Compare-Orlando" television commercial.

In his declaration in support of Pizza Hut's claim for damages, Mr. Kuehn states that the total cost of producing all six corrective television commercials for which Pizza Hut seeks damages was $775,978.51. (Kuehn Decl. p. 3 n. 1.) However, the invoices presented in support of the production costs (Kuehn Decl. Exh. 5) do not itemize the charges on a commercial by commercial basis. Under such circumstances, the total production costs should be prorated for each of the

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[19] In addition, Pizza Hut's commercial and its new box design (Defendant's Exh.2075) used to introduce its Lightning Bolt pizza in May 1997, overtly invites pizza users to compare it to competitors' pizzas.

six commercials at $129,329.75 per commercial. Since relief is being granted for only one commercial, "Compare-Orlando," Pizza Hut is entitled to recover $129,329.75 in production costs, representing the prorated cost for a single commercial.

Pizza Hut also seeks recovery of additional expenditures on "Base TV Spot Media Spending." Based upon the evidence presented, the court understands that this category of expenditure is that amount paid by Pizza Hut to television outlets to run a package of Pizza Hut commercial advertisements. As in the case of Pizza Hut's evidence in support of production costs, Pizza Hut has not itemized the additional sums attributed to "Base TV Spot Media Spending" on a per commercial basis. (Kuehn Decl. Exh. 6.) However, such a break-down is provided in Beth Hodge's letter to Mr. Kuehn, dated October 1, 1999, attached as Exh. N to Papa John's Memorandum on Damages.[20] Ms. Hodge's letter reflects base buy spending for Pizza Hut's "Compare-Orlando" commercial in the amount of $120,000.

The final category of expenditure for which Pizza Hut seeks recovery is for "Incremental TV Spot Media Spending" which represents the additional costs for running Pizza Hut's corrective commercials in excess of those costs incurred in the "Base TV Spot Media Spending" category. In the absence of further explanation in Mr. Kuehn's declaration and in the exhibit attached to it (Kuehn Decl. Exh. No. 7), the court again looks to Ms. Hodge's letter which reflects incremental spending attributed to "Compare-Orlando" in the amount of $218,290.

Accordingly, Pizza Hut is entitled to recover damages in the amount of $467,619.75, constituting the production costs

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[20] Ms. Hodge is employed by TLPartnership which purchases television air time for Pizza Hut's commercials.

and advertising expenses incurred for its corrective commercial "Compare-Orlando."

Pizza Hut also seeks treble damages for its corrective advertising expenditures. *See* 15 U.S.C. § 1117(a). Unlike a case in which a party is found to be entitled to lost profits or in a case in which damages are awarded for prospective "corrective" advertising, Pizza Hut's sole damages claim is for costs for "corrective advertising" which has already been produced and broadcast, thereby removing any possibility that the actual damages sustained cannot be precisely calculated. Although it may be argued that the damages awarded understate Pizza Hut's actual damages, any claimed understatement is more a function of the manner in which Pizza Hut has marshalled its evidence rather than a practicable impossibility to prove damages with specificity. Further, § 1117(a) expressly requires that the damages awarded be subject to the principles of equity and the sum awarded "constitute compensation and not a penalty." Given the fact that all of the costs and expenditures for which Pizza Hut seeks recovery have already been incurred, to award it an amount in excess of that which has been proven would violate the express prohibition against imposing a penalty. Therefore, Pizza Hut's prayer for any damages award over and above those awarded above will be denied.

b. *Papa John's Corrective Advertising Damages*

Papa John's seeks to recover its costs associated with two television commercials which it alleges were run to correct Pizza Hut's misleading advertisements.

Papa John's seeks to recover for its "Dough" commercial (Plaintiff's Exh. 1-A-18). This ad was produced and distributed following Pizza Hut's airing of its commercial "Freshness" (Defendant's Exh. 1123).

Papa John's "Dough" commercial begins with the statement that "some things don't taste their best the day

they're made," and notes that "you'd never drink wine the day they've crushed the grapes." Ordinarily prudent consumers over the legal drinking age would be well aware of this fact. The commercial then notes that a person would not eat a green banana. All ordinarily prudent pizza consumers would understand the truth of this statement, that is that one does not eat unripe fruits or vegetables. Both statements recognize that maturity or aging is a necessary feature of the taste qualities of these types of consumption items.

The commercial then shifts to pizza dough, implying that aging is a necessary step in producing dough. The comparison of wine and fruit on the one hand to dough on the other is a *non-sequitur*. The evidence in the case from the "dough experts" clearly establishes that proofing is a necessary step in the preparation of pizza dough. However, as described above in Part 2 Dough Advertisements, the proofing of dough while the yeast remains active is much more dependent on temperature than time. As the evidence shows, the yeast activity in the cold or slow-fermentation process used by Papa John's is retarded by refrigeration. Papa John's advertising is misleading in failing to mention this fact and in implying that superior dough requires several days for proofing. If the intended message was not yet conveyed to the consuming audience, the advertisement expressly observes that "[Papa John's] never use[s] dough made the same day, like some folks," and ends with a voice-over and visual depiction of the slogan "Better Ingredients. Better Pizza." Papa John's is not entitled to recover for "corrective" advertising, which itself is misleading. *See ALPO II*, 778 F.Supp. at 562.

Papa John's also seeks damages related to its "Tomato Fields" commercial run in response to Pizza Hut's "Freshness" commercial (Defendant's Exh. 1123). "Freshness" includes a reference to the fact that Papa John's tomato sauce is canned and processed. It also includes a specific reference

to Papa John's dough being trucked in and up to six days old. The reference to Papa John's dough is common to Pizza Hut's other commercials (Defendant's Exh. 20) which the jury also found violated the Lanham Act.

It is clear that the "dough" reference in Pizza Hut's offending commercial was the basis for the jury's determination. The factual statements in Defendant's Exh. 1123 concerning Papa John's tomato sauce being processed, cooked and canned are true and undisputed in the evidence, and standing alone would not support a finding that Defendant's Exh. 1123 violated the Act. While it is true that "Tomato Fields" responded to Pizza Hut's advertisement which described Papa John's tomato sauce, since "Tomato Fields" was not in response to a false or misleading message in Pizza Hut's commercial, it is not a corrective advertisement for which damages may be awarded.[21]

8. *Attorneys' Fees*

In "exceptional" cases brought under the Lanham Act, courts are authorized to award attorney's fees to a prevailing party. *E.g., Texas Pig Stands v. Hard Rock Cafe Int'l. Inc.*, 951 F.2d 684, 697 (5th Cir.1992).

This case is not "exceptional" as that term is understood in ordinary usage. The advent of comparative advertising where a seller specifically compares the attributes of its products or services to those of a competitor, either expressly or by implication, has resulted in a plethora of Lanham Act cases and large numbers of judicial decisions.

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[21] Because the Court finds that Papa John's is not entitled to damages based upon "corrective" advertising costs, it is unnecessary to consider Pizza Hut's argument that Papa John's damages should be limited to not more than $800,000. *See* Pizza Hut's Post-Trial Brief on Damages, filed on Dec. 6, 1999, at II. A., pp. 12-13.

However, "exceptional" has been given a specific term of art definition in the legislative intent and judicial construction. *Id.* at 696-697; *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1390 (5th Cir.1996) (describing an "exceptional case" as "one where the violative acts can be characterized as 'malicious,' 'fraudulent,' 'deliberate,' or willful' ").

The advertising which violated the Lanham Act in this case-both that of Papa John's and Pizza Hut—does not establish by clear and convincing evidence that any of the above criteria is satisfied. Rather, the evidence shows that each side in the course of its advertising in the highly competitive chain pizza market overstepped the permissible bounds of comparative advertising, not with a malicious intent to destroy the business of its competitor, but to enhance and promote its own share of the market. The conduct at issue falls far short of the culpable, malicious character necessary to find that the present action is an "exceptional" case within the meaning of 15 U.S.C. § 1117. Accordingly, each side will bear its own attorney's fees.

IT IS SO ORDERED.

FINAL JUDGMENT

Pursuant to the consents of the parties and the District Court's order of transfer filed on October 22, 1998, in accordance with the provisions of 28 U.S.C. § 636(c), the jury's verdict on liability filed on November 18, 1999, and the court's memorandum opinion filed this day,

IT IS ORDERED, ADJUDGED AND DECREED that Papa John's International, Inc. and Papa John's U.S.A., Inc. (hereinafter referred to as "Papa John's"), their officers, agents and employees[1] are permanently enjoined from using

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[1] All subsequent references to Papa John's in this judgment relating to injunctive relief includes Papa John's officers, agents and employees.

the slogan "Better Ingredients. Better Pizza." in association with the sale, promotion and/or identification of pizza products sold under the Papa John's name. It is further ordered that Papa John's is enjoined from using any slogan in the future which constitutes a recognizable variation of the phrase "Better Ingredients. Better Pizza." or which uses the adjective "better" to modify the terms "ingredients" and/or "pizza."

In carrying out and complying with the "cease and desist" order set out in the preceding paragraph:

1. Papa John's will immediately cease soliciting, purchasing and/or creating any print or broadcast advertising which either visually or audibly depicts the slogan "Better Ingredients. Better Pizza." or any proscribed variation thereof.

2. As soon as is practicable, but in no event later than January 24, 2000, Papa John's will cease using any current print or broadcast advertising—owned by or paid for in whole or in part by Papa John's—which contains either visually or audibly the slogan "Better Ingredients. Better Pizza." or any proscribed variation thereof in the sale, promotion, and/or identification of Papa John's pizza products. In the event that Papa John's has the contractual right to control the contents of advertising paid for in whole or in part by its franchisees, Papa John's will exercise this right to require its franchisees to cease using advertising which contains the "Better Ingredients. Better Pizza." slogan and to require that its franchisees return all copies of any such television and radio commercials and/or any print advertising layouts to Papa John's or to destroy the same. In the event that Papa John's has no contractual rights over the advertising disseminated by its franchisees, Papa John's will use all good faith efforts to dissuade its franchisees from the continued

use of advertising containing the "Better Ingredients. Better Pizza." slogan or any proscribed variation thereof.

3. Papa John's will immediately modify any contracts with third-party vendors which provide pizza boxes, condiment containers, wearing apparel and/or aprons imprinted with the "Better Ingredients. Better Pizza." slogan to delete the said slogan and/or any proscribed variation thereof from any future items manufactured and/or imprinted by the third-party vendors.

Papa John's will not enter into any subsequent third-party vendor agreements for the production of such items imprinted with the "Better Ingredients. Better Pizza." slogan or any proscribed variation thereof, nor will it permit its franchisees to do so in the event that Papa John's has the legal right to prohibit its franchisees from doing so.

Papa John's will be permitted to use any such imprinted items—which were purchased prior to the date of this judgment and which are currently in Papa John's inventory or in the inventories of its franchisees—until exhausted or no longer worn or used on premises where Papa John's pizza products are sold, or until March 3, 2000, whichever occurs first.

4. Papa John's will immediately cease placing the "Better Ingredients. Better Pizza." slogan or any proscribed variation thereof on any signage displayed at any corporate or franchisee locations where Papa John's pizza products are sold and will cease placing such slogan or any proscribed variation thereof on any vehicle or transport trailer owned by or leased to Papa John's or any vehicle used by an employee of Papa John's or by an employee of a franchisee to deliver Papa John's pizza products.

As to any presently existing signage and as to any signage which has been manufactured in whole or in part prior to the date of this judgment, the same will be removed, deleted or painted over on or before April 3, 2000. In the event that Papa John's does not have the legal right to require a franchisee to remove the slogan from the franchisee's presently existing signage, Papa John's will use all good faith efforts to dissuade the franchisee from continued use of the slogan on the franchisee's signage.

It is further ORDERED that as soon as practicable, but in no even [sic] later than January 24, 2000, Papa John's will cease disseminating any print, radio or television commercials which identify Frank Carney as a co-founder of Pizza Hut *unless* such advertising includes a voice-over, printed statement or a superimposed message ("super")[2] which states that Frank Carney has not been affiliated with Pizza Hut since 1980 and deletes any depiction of the "Better Ingredients. Better Pizza." slogan.

It is further ORDERED that Papa John's is permanently enjoined from broadcasting or disseminating any television, radio or print advertisements, produced and/or disseminated prior to the date of this judgment, which compare any component of Papa John's pizzas to a like component of Pizza Hut's pizzas *and* which explicitly or implicitly state or suggest that Papa John's component is superior to the same component of Pizza Hut's pizzas. *See, e.g.*, tomato sauce, dough and dough preparation comparisons.

It is further ORDERED that as soon as practicable, but in no event later than January 24, 2000, Papa John's will cease

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[2] As used in this judgment, the term "super" means a printed statement at the bottom of a television commercial, appearing on the screen for at least five seconds or for one-third of the commercial's length—whichever is less—and which satisfies the size and prominence standards of the advertising departments of the ABC, CBS and NBC television networks.

disseminating any print, radio or television advertising, produced or disseminated prior to the date of this judgment, which claims that Papa John's "won, won big time" in consumer taste test comparisons to Pizza Hut's pizza products. *See, e.g.*, Plaintiff's Exh. 1-A-11.

It is further *ORDERED* that in the event Papa John's has the contractual right to control the contents of advertising paid for in whole or in part by its franchisees, Papa John's will exercise this right to require its franchisees to cease using non-complying "Frank Carney" advertisements, component comparison advertising disseminated prior to the date of this judgment, and/or "won, won big time" taste test advertising, as described above, and to further require its franchisees to return to Papa John's all copies of any such television and radio commercials and/or print advertising layouts for such advertising or to destroy the same. If Papa John's does not have a right of control over the contents of its franchisees' advertising, Papa John's will use all good faith efforts to dissuade its franchisees from the continued use of such advertising.

It is further ORDERED that Papa John's will not produce or cause to be produced any print or broadcast advertising after the date of this judgment—paid for in whole or in part by Papa John's—which explicitly or implicitly claims that a component of Papa John's pizzas is superior to the same component of Pizza Hut's pizzas *unless* the superiority claim is supported by either (1) scientifically demonstrated attributes of superiority or (2) taste test surveys, conducted under recognized standards for consumer surveys, which demonstrate a statistically significant preference for the Papa John's component addressed in the advertising to the same component of Pizza Hut's pizzas. In the event that the claim is supported by taste test surveys, the advertising shall include

a printed statement, voice-over or "super,"[3] whichever is appropriate, stating the localities where the tests were conducted (in the event regional tests are used), the inclusive dates on which the surveys were performed, and the specific pizza products which were tested.

It is further ORDERED that in the event Papa John's engages in future comparative advertising as permitted in the preceding paragraph and in which the television or print advertisement purports to depict a comparable Pizza Hut component, the advertising will show the genuine comparable Pizza Hut component, photographed in the same lighting conditions as used to photograph Papa John's comparable component.

It is further ORDERED that Pizza Hut Inc., its officers, agents and employees[4] are permanently enjoined from broadcasting or disseminating any television, radio or print advertisements, produced and/or disseminated prior to the date of this judgment, which compare any component of Pizza Hut's pizzas to a like component of Papa John's pizzas *and* which explicitly or implicitly state or suggest that a Pizza Hut component is superior to the same component of Papa John's pizzas. *See, e.g.*, Defendant's Exh. 20 ("Compare I":); Defendant's Exh. 1123 ("Freshness"); Kuehn Decl. Exh. 3 ("Two Quotes"); Kuehn Decl. Exh. 4 (print advertising with the "bubble statement": "Dough made fresh daily—not pre-made dough balls 4 to 6 days old before they're used like Papa John's").

It is further ORDERED in the event Pizza Hut has the contractual right to control the contents of advertising, paid for in whole or in part by its franchisees, that Pizza Hut will

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[3] *See* n. 2, *supra*.

[4] All subsequent references to Pizza Hut in this judgment relating to injunctive relief includes Pizza Hut's officers, agents and employees.

exercise this right to require its franchisees to cease using any advertising described in the preceding paragraph of this judgment and to further require its franchisees to return to Pizza Hut all copies of any such television and radio commercials and/or print advertising layouts for such advertising or to destroy the same. If Pizza Hut does not have a right of control over the contents of its franchisees' advertising, Pizza Hut will use all good faith efforts to dissuade its franchisees from the continued use of such advertising.

It is further ORDERED that Pizza Hut will not produce or cause to be produced any print or broadcast advertising after the date of this judgment—paid for in whole or in part by Pizza Hut—which explicitly or implicitly claims that a component of Pizza Hut's pizzas is superior to the same component of Papa John's pizzas *unless* the superiority claim is supported by either (1) scientifically demonstrated attributes of superiority or (2) taste test surveys, conducted under recognized standards for consumer surveys, which demonstrate a statistically significant preference for the Pizza Hut's component addressed in the advertising to the same component of Papa John's pizzas. In the event that the claim is supported by taste test surveys, the advertising shall include a printed statement, voice-over or "super"[5], whichever is appropriate, stating the localities where the tests were conducted (in the event regional tests are used), the inclusive dates on which the surveys were performed, and the specific pizza products that were tested.

It is further ORDERED that in the event Pizza Hut engages in future comparative advertising as permitted in the preceding paragraph and in which the television or print advertisement purports to depict a comparable Papa John's component, the advertising will show the genuine comparable

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[5] *See* n. 2, *supra*.

Papa John's component, photographed in the same lighting conditions as used to photograph Pizza Hut's comparable component.

It is further ORDERED, ADJUDGED AND DECREED that Pizza Hut recover damages from Papa John's in the amount of $467,619.75, bearing interest at the rate of 5.670% per annum until satisfied.

It is further ORDERED that all attorneys' fees and costs will be borne by the party which incurred the same.

It is further ORDERED that all relief not granted in this judgment is DENIED with prejudice.

APPENDIX C

[Filed Feb. 1, 2000]

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

3-98-CV-1902-AH

PIZZA HUT, INC.

v.

PAPA JOHN'S INTERNATIONAL, *et al.*

ORDER

On this day came on to be considered Defendants' Renewed Motion for Judgment as Matter of Law, Defendants' Alternative Motion to Amend the Final Judgment, Defendants' Alternative Motion for New Trial filed on January 18, 2000,[1] Defendants' Memorandum in Support of Renewed Motion for Judgment as a Matter of Law and Alternative Motion for New Trial filed on January 19, 2000,[2] and Plaintiff's brief in opposition to Defendants' motions filed on January 31, 2000, and

Having considered the relevant papers and pleadings and the respective briefs of the parties,

IT IS ORDERED that each of the said motions filed by Defendants is denied.

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[1] Identical motions were filed by Defendants on January 19, 2000.

[2] Defendants filed an identical brief on January 18, 2000. However, Exhibit A, attached to their brief filed on January 19, 2000, was not included as an attachment to their brief filed on January 18, 2000.

A copy of this order shall be transmitted to counsel for the parties.

ENTERED this 15th of February, 2000.

/s/ Wm F. Sanderson Jr.
UNITED STATES MAGISTRATE JUDGE

APPENDIX D

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

[Filed Jan. 21, 2000]

No. 00-10071

PIZZA HUT, INC.,
Plaintiff-Counter-Defendant-Appellee,

versus

PAPA JOHN'S INTERNATIONAL, INC.;
PAPA JOHN'S USA, INC.,
Defendants-Counter-Claimants-Appellants.

Appeal from the United States District Court
For the Northern District of Texas, Dallas

Before HIGGINBOTHAM, DeMOSS, and STEWART, Circuit Judges.

BY THE COURT:

IT IS ORDERED that the motion of appellants to exceed the page limit on emergency motion to stay is GRANTED.

IT IS FURTHER ORDERED that the emergency motion of appellants for stay of injunction pending appeal is GRANTED.

IT IS FURTHER ORDERED that the Clerk shall establish an expedited briefing schedule for this appeal so that oral arguments in this case can be heard on the earliest possible oral argument calendar.

APPENDIX E

[Filed Jan 25, 2000]

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

3-98-CV-1902-AH

PIZZA HUT, INC.

v.

PAPA JOHN'S INTERNATIONAL, INC.,*et al*

ORDER

On this date came on to be considered Defendants' Motion for Stay of Injunction Pending Appeal filed on January 6, 2000, and Plaintiff's response thereto filed on January 18, 2000,[1] and the court finds and orders as follows:

In their motion Defendants seek an order staying that portion of the court's judgment filed on January 3, 2000, relating to enjoining Defendants from the continued use of the slogan "Better Ingredients. Better Pizza." See Judgment at pages 1-3.

Since this case has been fully tried and the court's judgment constitutes a permanent injunction against any use of Defendants' former slogan, I am of the opinion that the

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[1] By letter dated January 13, 2000, the court notified the parties that a hearing would be held on January 21, 2000, at 9:30 a.m. On January 20, 2000, the court conducted a telephone conference with Defendant's counsel, Martin B. McNamara, and Plaintiff's counsel, Thomas C. Morrison, in which it was agreed that the court would decide the motion on the evidence presented at trial and the pleadings and exhibits submitted to the court relating to the Defendants' motion to stay.

factors to be applied are those set out by the Fifth Circuit in *United States v. Baylor University Medical Center*, 711 F.2d 38, 39 (5th Cir. 1982), wherein the Court stated:

> [T]he movant "need only present a substantial case on the merits when a *serious* legal question is involved and show that the balance of equities *weighs heavily in favor of granting* the stay." (Emphasis added)-citing the Fifth Circuit's prior holding in *Ruiz v. Estelle*, 650 F.2d 555, 565 (5th Cir. 1981).

In *Ruiz*, the Fifth Circuit adopted the rationale of the D.C. Circuit in *Washington Metropolitan Area Transit Commission v. Holiday Tours. Inc.*, 559 F.2d 841, 843-44 (D.C. Cir. 1977).

In the present motion Defendants renew their argument that the enjoined slogan constitutes puffery and therefore is not actionable under the Lanham Act. Despite the fact that the court's charge specifically defined the term puffery and instructed that mere puffery was not a violation of the Act (See Court's Instructions to the Jury, at page 4), the jury found that Defendants' slogan was false or misleading and deceived or was likely to deceive a substantial number of pizza product consumers (See jury's answers to Special Issues Nos. 1 and 2).

In light of the jury's findings and the court's findings set out in its memorandum opinion and order filed on January 3, 2000, the legal issue which Defendants seek to raise is: Whether—assuming *arguendo* that the slogan "Better Ingredients. Better Pizza." constitutes mere puffery—is the use of such slogan immune from being enjoined, irrespective of the fact that it was prominently displayed in advertising which was false or misleading, and deceptive to members of the consuming public thereby acquiring a secondary and subtle false message of superiority to a competitor's product?

The jury and this court have answered this question in the negative. However, neither party nor the court has found any

persuasive case authority which addresses this issue. Thus it appears that the issue is a novel one. However, the mere fact that an issue of law is one of first impression, does not—in this court's opinion—equate with the term serious legal question as applied by this Circuit.

In *Ruiz*, supra, that portion of the district court's order on which a stay was granted specifically and in detail affected the housing of the entire prison population confined in the Texas state prison system. Id. 650 F.2d 567-570. In *Baylor University Medical Center*, the district court's order required the medical center give to HHS officials open access to its operations. In granting a stay of the order, the Fifth Circuit observed:

> Whether Medicare and Medicaid payments constitute federal financial assistance within the meaning of the Rehabilitation Act is a *serious legal question* that could have a *broad impact upon state/federal relations. Many* private *institutions . . . receive* Medicare and Medicaid funds but do not receive any other form of federal funding. A court . . . would want to [examine] . . . this serious legal issue before opening the doors of private institutions to the probing tools of an HHS investigation (Emphasis added), 711 F.2d at 40.[2]

The potential for this court's injunction to affect others than the litigants is non-existent. While this court's memorandum opinion and order, if read, may be a "cautionary tale" for other advertisers which use comparative advertising, it has no binding effect on anyone except the Defendants; and if the Fifth Circuit ultimately concludes that this court erred, even that persuasive effect will evaporate.

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[2] Defendants also cite *Reading & Bates Petroleum Co. v. Musslewhite*, 143 F.3d 271 (5th Cir. 1994). The facts in that opinion are clearly inapposite to those in the instant case. Moreover, the court found that a stay in that case "could not possibly cause 'substantial harm' to [the adverse party]." Id. at 272.

Accordingly the court finds that this case fails to present a serious legal question warranting a stay of that portion of the court's judgment enjoining Defendants from the continued use of the slogan "Better Ingredients. Better Pizza."

The court further finds that Defendants have failed to sustain their substantial burden of showing that the balance of equities *weighs heavily* in favor of granting a stay.

Defendants claim that they will suffer irreparable injury if they are not permitted to continue to use the slogan during the pendency of an appeal. At the outset the court would note that its judgment doesn't prohibit use of the slogan in advertising until January 24, 2000, permits Defendants to use current inventories of boxes, condiment containers, etc. imprinted with the slogan until exhausted or until March 3, 2000, and does not require Defendants to remove the slogan from signage, trucks, trailers or vehicles on which the slogan appeared as of January 3, 2000 until April 3, 2000. See Judgment at pages 1-3.

Defendants point to the fact that at trial there was testimony that Defendants expended $300 million in developing their slogan and in using it in broadcast and print advertising up to the date of trial. This matter was of little relevance to the issues in the case and was not supported by any documentation buttressing the accuracy of the assertion. Moreover, to give this factor any substantial weight would require the court to disregard the benefits—in terms of increased sales and consumer awareness of Defendants' pizza products—which Defendants derived from the slogan while used.

Defendants argue that prohibition of the use of the slogan during the pendency of an appeal would irreparably harm its business. While many sellers of products and services utilize slogans in their advertising, the presence of a slogan is by no means a business necessity. In fact, the statement of

Defendants' own corporate representative belies such a suggestion. John Schnatter, Papa John's founder and chairman, stated "We became the fastest growing pizza company in America by consumers eating our pizza, not our slogan." (See Pizza Hut's memorandum of law, filed on January 18, 2000, Exhibit 7). Tony Howard, a stock analyst, expressed a similar sentiment, observing that "Consumers do not buy pizza based on slogans, they buy based on price and taste" (Id. Exhibit 4).[3] In the event that this court's judgment is found to be in error, Defendants will have only suffered a relatively brief hiatus in their ability to use the "Better Ingredients. Better Pizza." slogan.

Defendants have estimated that they will incur $12 to $15 million in expenses in complying with this court's order, $5 million of which will be devoted to the development and implementation of a new slogan. See Papa John's news release dated January 14, 2000, attached to Mr. McNamara's letter dated January 19, 2000. As noted above, the development of a new slogan is not a necessity. The news release does not attempt to itemize how the remaining $7 to $10 million will be used to achieve compliance with this court's judgment. Although $7 to $10 million is a sizeable sum, when compared to Defendants' annual revenues in excess of $1 billion and the fact that such sum represents a per share change of not much more than ten cents, it can hardly be found that incurring these expenses visits irreparable harm on the Defendants.

In the balance of the scales of equity opposed to Defendants' motion is the fact that Pizza Hut has spent a large sum of money to obtain the relief granted in the court's

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[3] Ordinarily news articles are not admissible to establish facts. However, in the present motion both sides have submitted articles and news releases. In the context of this motion the court gives credence to the fact that such statements were made since neither side contests the accuracy of the attributed quoted remarks.

judgment. To forestall its interest in enjoying the fruits of its litigation labors is not consistent with the principles of equity.

Defendants' argument that the imposition of a stay will serve the public interest is patently without merit. It is made in the face of the eight person jury's unanimous verdict that the slogan deceives the pizza consuming public. And as the court has noted its use in advertising which clearly offends the Lanham Act has created a secondary *false* meaning to the slogan which consumers "get" even when whispered (See Plaintif's Exhibit 130), that is that Defendants' pizza products are better than those of Pizza Hut's. It clearly does not serve the public interest to permit a business to continue to disseminate a misleading and deceptive slogan.

IT IS, THEREFORE, ORDERED that Defendants' Motion for Stay of Injunction Pending Appeal is denied.

A copy of this order shall be transmitted to counsel for the parties.

ENTERED this 24th day of January, 2000.

/s/ Wm. F. Sanderson Jr.
UNITED STATES MAGISTRATE JUDGE

APPENDIX F

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

[Filed Nov. 18, 1999]

Civil Action No. 3:98cv1902-AH

PIZZA HUT, INC.

Plaintiff,

v.

PAPA JOHN'S INTERNATIONAL, INC., AND
PAPA JOHN'S USA, INC.

Defendant.

COURT'S INSTRUCTIONS TO THE JURY

Members of the Jury:

Now that you have heard all of the evidence, it becomes my duty to give you the Court's instructions concerning the law which applies to this case and which you must follow in arriving at your verdict.

You are to consider these instructions as a whole. Do not single out one instruction alone as stating the law. Do not disregard any portion of these instructions.

It is your duty as jurors to determine the facts, without prejudice or sympathy, and in doing so you must consider only the evidence I have admitted in this case. Corporations such as the parties in this action, like natural persons, are equal before the law.

While you should consider only the evidence in this case, you are permitted to draw such reasonable inferences from the testimony and exhibits as you feel are justified in the light

of common experience. In other words, you may make deductions and reach conclusions that reason and common sense lead you to draw from the facts that have been established by the testimony and evidence in the case. You may not speculate on matters which are not in evidence.

Remember that any statements, objections or arguments made by the lawyers are not evidence in the case. Also, I have no opinions about the facts of this case and you are instructed to disregard anything I may have said or done during trial which might lead you to believe otherwise.

As I instructed you when this case began, you have been permitted to take notes during the course of the trial. I will remind you that any notes that you have taken during the trial are only aids to your memory. If your memory differs from your notes, you should rely on your memory and not on your notes. The notes are not evidence. If you have not taken notes, you should rely on your independent recollection of the evidence and should not be unduly influenced by the notes of other jurors. Notes are not entitled to any greater weight than the recollection or impression of each juror about the testimony.

In the final analysis, it is your own recollection and interpretation of the evidence that controls in this case. And, although you must consider all the evidence, this does not mean that you must accept all of the evidence as being true or accurate.

You are the sole judges of the credibility or "believability" of each witness and the weight to be given to his or her testimony. In weighing the testimony of a witness you should consider all of the circumstances under which the witness testified: any relationship to one of the parties or any interest in the outcome of the case; the witness's manner of testifying; the witness's opportunity to observe or acquire knowledge concerning the facts about which he or she testified; the

witness's candor, fairness and intelligence; and the extent to which the witness has been supported or contradicted by other credible evidence. You may, in short, accept or reject the testimony of any witness, in whole or in part.

A witness may be discredited or impeached by contradictory evidence, by a showing that he or she testified falsely concerning a material matter, or by evidence that at some other time the witness has said or done something which is inconsistent with the witness's present testimony. If you believe that any witness has been so impeached, then you are to give the testimony of that witness such credibility or weight, if any, as you may think it deserves.

The rules of evidence provide that if scientific, technical, or other specialized knowledge might assist the jury in understanding the evidence or in determining a fact in issue, a witness qualified as an expert by knowledge, skill, experience, training or education, may testify and state his opinion concerning such matters.

You should consider each expert opinion received in evidence in this case and give it such weight as you may think it deserves. If you should decide that the opinion of an expert witness is not based upon sufficient education and experience, or if you should conclude that the reasons given in support of the opinion are not sound, or that the opinion is outweighed by other evidence, then you may disregard the opinion entirely.

During the course of the trial, witnesses called by each party have expressed their personal opinions on the effect which the opposing party's advertising would have on the average consumer. However, in deciding whether an advertisement has a tendency to mislead, where an advertising claim is not literally false, you should bear in mind that you are to decide whether the advertising under consideration would tend to mislead or confuse an ordinarily prudent consumer to whom the advertising was addressed or

disseminated, as explained in more detail below. Accordingly, you should disregard such personal opinions in their entirety—as distinguished from evidence based upon consumer surveys—unless you find that any such personal opinion comports with your own common sense and experience relating to the interpretation which an ordinarily prudent consumer would give to the advertising claim under consideration.

Also, the weight of the evidence is not necessarily determined by the number of witnesses testifying as to the existence or nonexistence of any fact. You may find that the testimony of a smaller number of witnesses is more credible than the contrary testimony of a larger number of witnesses.

Certain testimony in this case was presented to you through videotaped depositions and the reading of depositions. A deposition is the sworn, recorded answers to questions asked of a witness in advance of the trial. Under some circumstances, if a witness cannot be present to testify from the witness stand, that witness's testimony may be presented, under oath, in the form of a deposition. Some time before this trial, attorneys representing the parties questioned certain witnesses under oath. A court reporter was present and recorded their testimony. The questions and answers were read or shown to you during the trial. This deposition testimony, either written or by videotape, is entitled to the same consideration as if the witness had been present and had testified from the witness stand in court.

Generally speaking, there are two types of evidence which a jury may consider in properly finding the truth as to the facts in this case. One is direct evidence—such as the testimony of an eyewitness. The other is indirect or circumstantial evidence—the proof of a chain of circumstances which points to the existence or nonexistence of certain facts. As a general rule, the law makes no distinction between direct and circumstantial evidence, but

simply requires that the jury find the facts from a preponderance of all the evidence, both direct and circumstantial.

"Preponderance of the evidence" means such evidence, when considered and compared with that opposed to it, is more convincing and produces in your minds the belief that what is sought to be proved is more likely true than not true. In other words, to establish a claim by a "preponderance of the evidence" merely means to prove that the claim is more likely so than not so.

In determining whether any fact has been proved by a preponderance of the evidence in this case, you may consider the testimony of all witnesses, regardless of who may have called them, and all exhibits received in evidence, regardless of who may have produced them. If the proof fails to establish any essential part of a party's claim by a preponderance of the evidence, you should find for the opposing party as to that claim.

In this case, both Pizza Hut and Papa John's claim that the advertising of the other party violated the federal statute known as the Lanham Act. Under the Lanham Act, it is unlawful for a corporation to use a false or misleading description of fact, or a false or misleading representation of fact, which, in commercial advertising or promotion, misrepresents the nature, characteristics or qualities of its or another's goods, services or commercial activities.

As the evidence in this case has shown, this suit was initially filed by Pizza Hut claiming that Papa John's advertising violated the Lanham Act. As such, Pizza Hut was identified in the original complaint as the plaintiff, that is the party that filed the suit and Papa John's was identified as the defendant. From time to time in the course of the trial and in the documentary evidence which has been admitted into evidence, Pizza Hut has been referred to as the plaintiff and Papa John's has been referred to as the defendant.

However, in responding to Pizza Hut's Lanhan Act claims, Papa John's has filed a counterclaim alleging that certain of Pizza Hut's advertisements violated the Lanham Act. Technically, in asserting its counterclaims, Papa John's is referred to as the counter-plaintiff and Pizza Hut is referred to as the counter-defendant. For the purposes of your deliberations, however, the technical terms for each party are largely irrelevant. Rather, the important factor which you are to consider in your deliberations is that on those claims brought by Pizza Hut against Papa John's, Pizza Hut has the burden to prove its claims by a preponderance of the evidence as defined above and Papa John's has the same burden of proof on its claims brought against Pizza Hut.

Pizza Hut alleges that the following violate the provisions of the Lanham Act: Papa John's slogan "Better Ingredients. Better Pizza."; Papa John's advertising with respect to taste tests (for example, see Plaintiff's Exhibits 1A-11, 1A-20 and 1A-24); Papa John's advertising with respect to pizza sauces (for example, see Plaintiff's Exhibit 1A-11; Exhibits 2B-105 and 2B-153); Papa John's advertising with respect to Papa John's dough (for example, see Plaintiff's Exhibit 1A-6; Exhibits 2B-87 and 2B-106); and Papa John's advertising with respect to Papa John's pizza ingredients (for example, see Plaintiff's Exhibits 2B-97; 2B-107; and 2B-186).

In giving examples of advertising which Pizza Hut alleges violated the provisions of the Lanham Act, you should understand that they are examples only. Therefore, you should consider all of the advertising evidence which pertains to the subject matter of the special issue then under consideration, unless the special issue under consideration asks for your response to a specific advertisement or group of advertisements.

Also in considering specific print or television advertising, you should consider each advertisement in its entirety and the context in which it was disseminated to consumers.

Papa John's alleges that Pizza Hut violated the Lanham Act in running three television commercials, that is, the television commercials shown in Defendant's Exhibits 20, 21 and 1123.

Evidence has been presented that Papa John's obtained a trademark on its slogan "Better Ingredients. Better Pizza." You are instructed that this fact is irrelevant and immaterial to your determination of whether a violation of the Lanham Act occurred.

In a false advertising claim brought under the Lanham Act, the party asserting the claim may establish liability against the opponent party by showing that the advertising of the opponent party contained actual false statements or by showing that the statements, although literally true, were likely to mislead and confuse the consumers to whom the advertising was directed.

Although false or misleading statements may violate provisions of the Lanham Act, mere puffery is not a violation. The term "puffery" means an exaggeration or overstatement expressed in broad, vague and commendatory language expressed for promotional purposes which include statements which can neither be proven to be true or false and as such is distinguishable from a false description or representation of fact. Puffery includes statements made which are reasonably understood as expressions of the seller's opinion only.

The Lanham Act does not require that a false description or representation of fact be made with an intent to deceive. It may be shown from the evidence that the statements complained of have a natural tendency to deceive consumers. In determining whether or not any false or misleading claim would have a tendency to deceive, the experience and sophistication of ordinarily prudent consumers, to whom the advertising was addressed or disseminated, are factors to be considered.

It is not sufficient to merely show that a challenged description or representation of fact is unsubstantiated by acceptable tests or other proof. In order to prove that the opposing party has violated the provisions of the Lanham Act, the asserting party must prove each of the following elements by a preponderance of the evidence:

1. That the advertising in question made false or misleading descriptions or representations of fact about the nature, characteristics, or qualities of goods, services, or commercial activities with reference to the opposing party's own products or the products of the party asserting the Lanham Act claim;

2. That the false or misleading descriptions or representations of fact contained in the advertising in question deceived or were likely to deceive a substantial segment of the audience to whom the advertising was directed;

3. That the false or misleading descriptions or representations of fact contained in the advertising in question were material in the sense that such statements were likely to influence the purchasing decisions of the intended audience; and

4. That there is a likelihood of injury to the asserting party as a result of false or misleading descriptions or representations of fact contained in the advertising in question.

PIZZA HUT'S CLAIMS AGAINST PAPA JOHN'S

SPECIAL ISSUE NO. 1:

Do you find that Papa John's "Better Ingredients. Better Pizza" slogan is false or misleading? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

If you answer Special Issue No. 1 "yes", proceed to Special Issue No. 2. If you answer Special Issue No. 1 "no", proceed to Special Issue No. 3.

SPECIAL ISSUE NO. 2:

Do you find that any false or misleading description or representation of fact in Papa John's slogan "Better Ingredients. Better Pizza" deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

SPECIAL ISSUE NO. 3:

Do you find that Papa John's "taste test" commercials are false or misleading? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

If you answer Special Issue No. 3 "yes", proceed to Special Issue No. 4. If you answer Special Issue No. 3 "no", proceed to Special Issue No.5.

SPECIAL ISSUE NO.4:

Do you find that any false or misleading description or representation of fact in Papa John's "taste test" commercials deceived or was likely to deceive a substantial number of consumers to whom the commercials were directed? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: No.

SPECIAL ISSUE NO. 5:

Do you find that the "sauce" claims in Papa John's advertising are false or misleading? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

If you answer Special Issue No. 5 "yes", proceed to Special Issue No. 6. If you answer Special Issue No. 5 "no", proceed to Special Issue No. 7.

SPECIAL ISSUE NO. 6:

Do you find that any false or misleading description or representation of fact in Papa John's "sauce" advertising claims deceived or was likely to deceive a substantial number of consumers to whom the advertising claims were directed? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

SPECIAL ISSUE NO. 7:

Do you find that the "dough" claims in Papa John's advertising are false or misleading? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

If you answer Special issue No. 7 "yes", proceed to Special Issue No. 8. If you answer Special Issue No. 7 "no", proceed to Special Issue No. 9.

SPECIAL ISSUE NO. 8:

Do you find that any false or misleading description or representation of fact in Papa John's "dough" advertising claims deceived or was likely to deceive a substantial number of consumers to whom the advertising claims were directed?

(On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

SPECIAL ISSUE NO. 9:

Do you find that the "ingredients" claims in Papa John's advertising are false or misleading? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: No.

If you answer Special Issue No. 9 "yes", proceed to Special Issue No. 10. If you answer Special Issue No. 9 "no", proceed to Special Issue No. 11.

SPECIAL ISSUE NO. 10:

Do you find that any false or misleading description or representation of fact in Papa John's "ingredients" advertising deceived or was likely to deceive a substantial number of consumers to whom the advertising claims were directed? (On this issue Pizza Hut has the burden of proof). Answer "yes" or "no".

ANSWER: ____

PAPA JOHN'S CLAIMS AGAINST PIZZA HUT

SPECIAL ISSUE NO. 11:

Do you find that Pizza Hut's "Compare I" commercial (See Defendant's Exhibit 20) is false or misleading? (On this issue Papa John's has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

If you answer Special Issue No. 11 "yes", proceed to Special Issue No. 12. If you answer Special Issue No. 11 "no", proceed to Special Issue No. 13.

SPECIAL ISSUE NO. 12:

Do you find that any false or misleading description or representation of fact in Pizza Hut's "Compare I" commercial deceived or was likely to deceive a substantial number of consumers to whom the commercial was directed. (On this issue Papa John's has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

SPECIAL ISSUE NO. 13:

Do you find that Pizza Hut's "Compare II" commercial (See Defendant's Exhibit 21) is false or misleading? (On this issue Papa John's has the burden of proof). Answer "yes" or "no".

ANSWER: No.

If you answer Special Issue No. 13 "yes", proceed to Special Issue No. 14. If you answer Special Issue No. 13 "no", proceed to Special Issue No. 15.

SPECIAL ISSUE NO. 14:

Do you find that any false or misleading description or representation of fact in Pizza Hut's "Compare II" commercial deceived or was likely to deceive a substantial number of consumers to whom the commercial was directed? (On this issue Papa John's has the burden of proof). Answer "yes" or "no".

ANSWER: ____

SPECIAL ISSUE NO. 15:

Do you find that Pizza Hut's "Freshness" commercial (See Defendant's Exhibit 1123) is false or misleading? (On this issue Papa John's has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

If you answer Special Issue No. 15 "yes", proceed to Special Issue No. 16. If you answer Special Issue No. 15 "no", proceed to the end of these instructions.

SPECIAL ISSUE NO. 16:

Do you find that any false or misleading description or representation of fact in Pizza Hut's "Freshness" commercial deceived or was likely to deceive a substantial number of consumers to whom the commercial was directed. (On this issue Papa John's has the burden of proof). Answer "yes" or "no".

ANSWER: Yes.

Upon retiring to the jury room, you should first select your foreperson to preside over your deliberations and to speak for you here in court. When you retire to the jury room to deliberate, you may take with you this charge and the exhibits that the Court has admitted into evidence.

If, during your deliberations, you wish to communicate with the Court, your message or question must be written and signed by your foreperson. Pass the note to the bailiff, who will bring it to me. I will then respond as promptly as possible, either in writing or by having you returned to the courtroom so that I can address you orally. I caution you, however, that any note you might send must never reveal your answers to the issues or your numerical division at that time.

Your verdict must represent the considered judgment of each juror. And, it must be unanimous; that is, each juror must agree to each of the answers. When you have reached unanimous agreement, your foreperson will fill in the verdict form, date and sign it, and then you will return to the courtroom.

Remember, at all times, that you are not partisans. You are judges—judges of the facts. Your sole interest is to seek the truth from the evidence in this case.

/s/ Wm. F. Sanderson, Jr.
WM. F. SANDERSON, JR.
UNITED STATES MAGISTRATE JUDGE

VERDICT OF THE JURY

We, the jury, have answered the foregoing special issues in the manner indicated in this verdict form, and return these answers into Court as our verdict.

/s/ Tom Finley
TOM FINLEY
FOREPERSON

Date: November 18, 1999

VIDEO MONITORING SERVICES OF AMERICA, LP

330 W 42nd St, New York, NY 10036 (212) 736-2010

PRODUCT	Papa John's Pizza
MARKET	Network
PROGRAM	World News Tonight
CODE #	9802-3690
TITLE	Pizza Hut Vs. Papa John's

LENGTH	:30
STATION	ABC
DATE	02/16/98
TIME	6:52 PM

(MUSIC IN) MALE ANNCR: Pizza Hut dares anyone to find a better pizza.

MAN: Oh, really.

MALE ANNCR: It was a challenge Papa John couldn't resist.

So he commissioned

independent taste

tests.

And Papa John's won, won big time.

Maybe that's because Papa John's sauce

is made with fresh packed vine ripened tomatoes.

Pizza Hut uses remanufactured paste.

MAN: Anyone can claim they make better pizza, but it's you the consumer who decided.

Better ingredients, better pizza. Papa John's. (MUSIC OUT)

APPENDIX G

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VIDEO MONITORING SERVICES OF AMERICA, LP

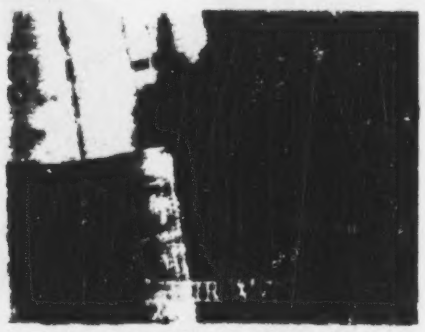
330 W 42nd St, New York, NY 10036 (212) 736-2010

LaserBoard

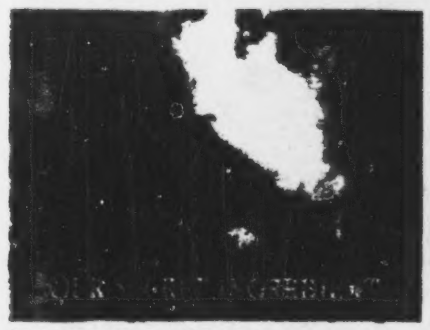
PRODUCT	Papa John's Pizza
MARKET	Charlotte
PROGRAM	Martin
CODE #	9710-7380
TITLE	Papa John's Way Vs/Order

LENGTH	:30
STATION	WCCB
DATE	10/24/97
TIME	6:57 PM

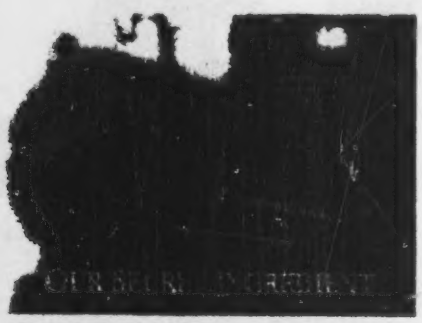
MALE (VO): Papa John's way.



(SFX: MUSIC FROM HEADPHONES ON EMPLOYEES HEAD) Their way.



(SFX: BIRDS CHIRPING)



Our secret ingredient--

(MUSIC IN) And theirs.

You see, most pizza delivery chains use dehydrated paste to make their sauce.

Papa John's uses sauce made from vine ripened tomatoes

the day they're picked,

then sent on to our stores.

We believe better ingredients make a better pizza.

That's why there's everyone else's pizza and Papa John's.

MALE ANNCR: Now get a large double pepperoni pizza. Original or thin crust for only $8.99. (MUSIC OUT)

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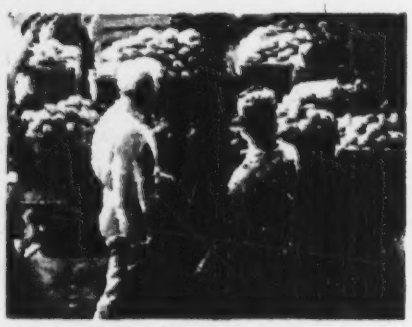
A-R

VIDEO MONITORING SERVICES OF AMERICA, LP

330 W 42nd St, New York, NY 10036 (212) 736-2010

PRODUCT	Papa John's Pizza	**LENGTH**	:30
MARKET	Louisville	**STATION**	WHAS
PROGRAM	Live At 5	**DATE**	07/07/98
CODE #	9807-4195	**TIME**	5:17 PM
TITLE	Papa John's Way Vs. Their Way/$7.99	**REV OF #**	9601-5507



(SFX: BIRDS CHIRPING) MALE ANNCR #1: Papa John's

way. (SFX OUT)

Their way.

(SFX: BIRDS CHIRPING) Our secret

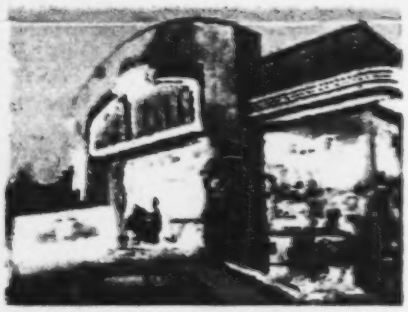
ingredient. (SFX OUT)

And theirs. (SFX: RADIO PLAYING) You see, most pizza delivery chains use

dehydrated paste to make their sauce. (SFX OUT)

(MUSIC IN) Papa John's uses sauce made from

vine-ripened tomatoes the day they're picked,



then sent onto our stores. We believe better ingredients make a better pizza. That's why there's

everyone else's pizza and Papa John's. (GRFX: BETTER INGREDIENTS. BETTER PIZZA.) (MUSIC OUT)

MALE ANNCR #2: Now get a large two topping Papa John's pizza for just $7.99. Carryout only.

95a

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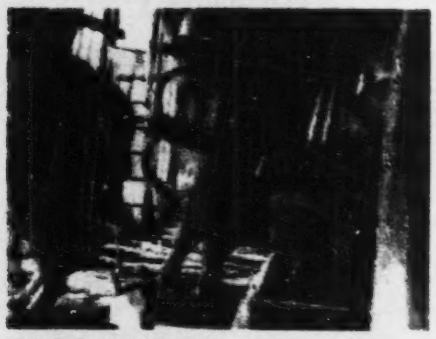
VIDEO MONITORING SERVICES OF AMERICA, LP

330 W 42nd St, New York, NY 10036 (212) 736-2010

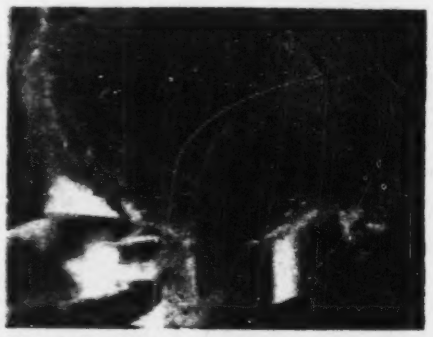
PRODUCT	Papa John's Pizza
MARKET	Greensboro
PROGRAM	Law & Order S.V. Unit
CODE #	9909-10422
TITLE	Pizza Paste Art, $8.99 One Topping

LENGTH	:30
STATION	WXII
DATE	09/27/99
TIME	9:44 PM



(MUSIC IN) MALE ANNCR: Introducing

a new art form.



Recognize the medium?

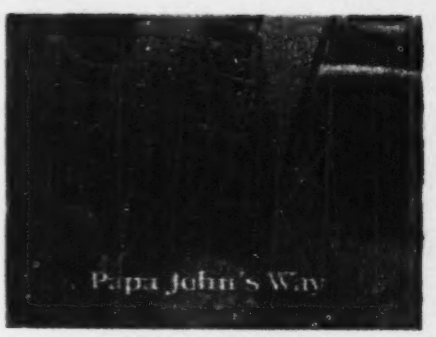
It's the tomato paste

some big pizza chains add water to

to make their sauce.

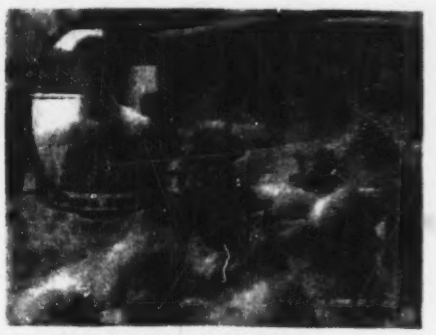
(MUSIC OUT) WOMAN (VO): Oh?

(MUSIC IN) ANNCR: Thankfully, Papa John's never uses paste. Our



sauce is can-fresh. WOMAN (VO): Delicioso.

So, pizza art or the art



of making a great pizza? PAPA JOHN: Better ingredients, better pizza, Papa John's.

ANNCR: Now get a Large One Topping Pizza for $8.99, get a second Large for just $6.99. (MUSIC OUT)

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A-29

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PIZZA
PAPA JOHN'S

Better Ingredients.
Better Pizza.

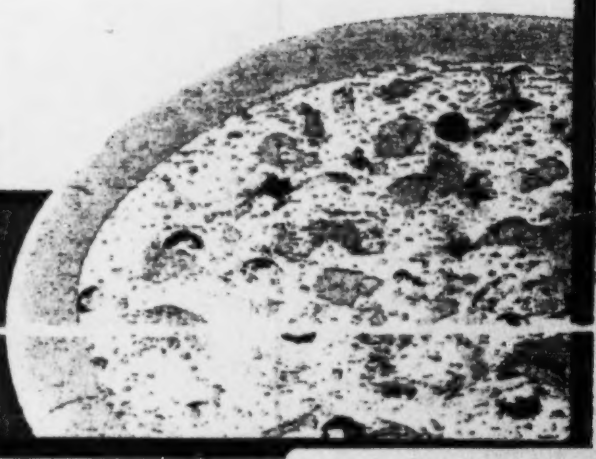
Our Sauce Stands Alone.

(Well, not like theirs does. Ours does need the bowl.)

Our Sauce.

Their Sauce.

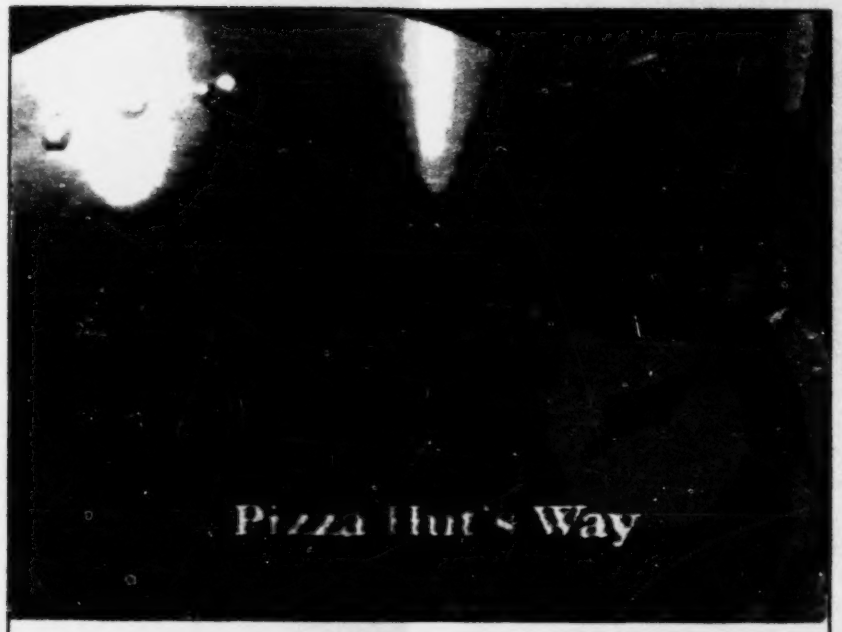
"Our sauce is made with vine-ripened tomatoes packed fresh within six hours of being picked. We'd never use the remanufactured paste some of the other big chains use."



97a

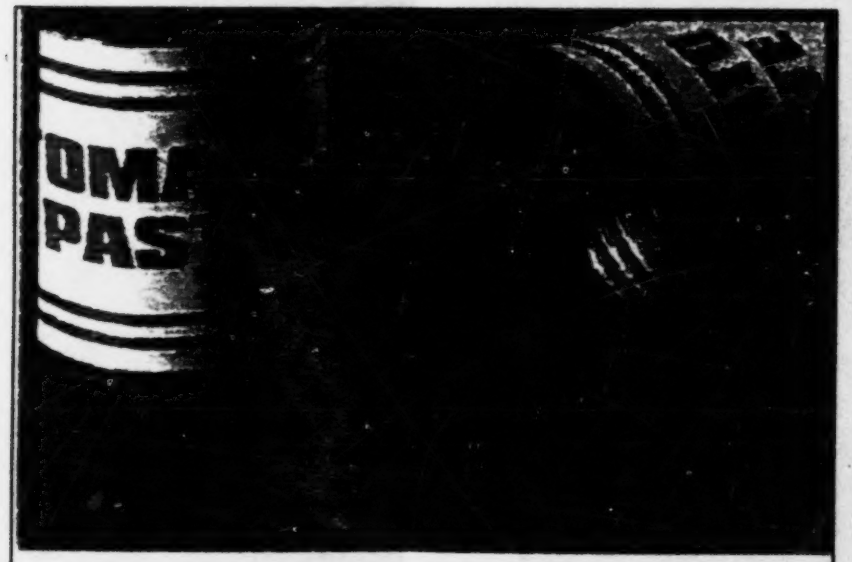
B-153

Papa John's Advertisements



Plaintiff's Ex. 12

Plaintiff's Ex. 17



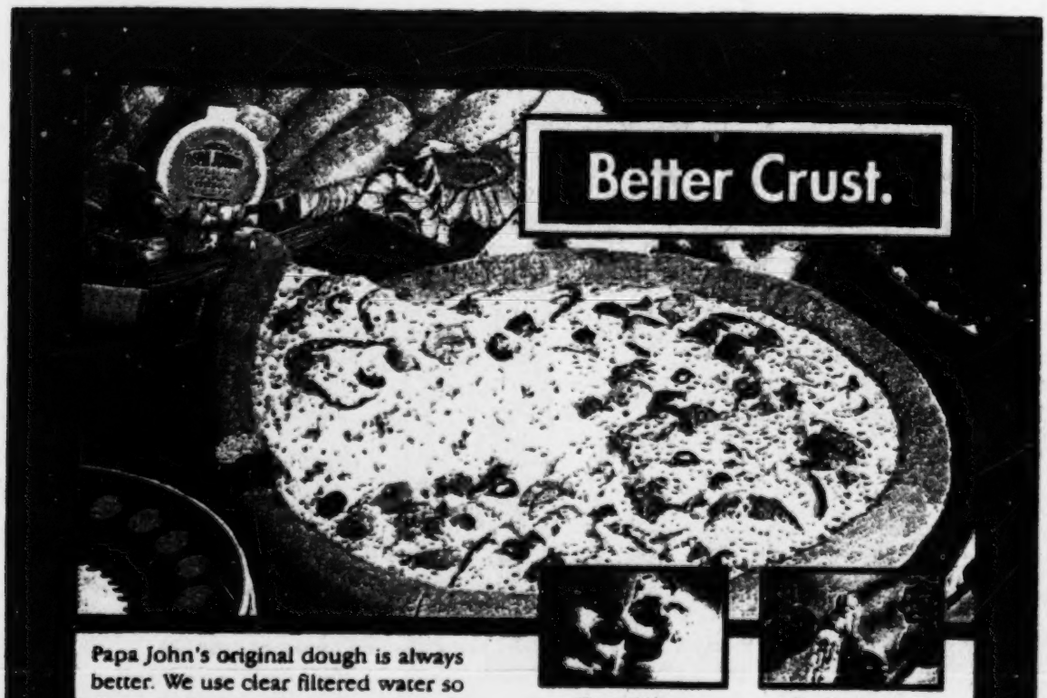
Plaintiff's Ex. 2, B-73

Plaintiff's Ex. 29

PX 570

Better Sauce.
Our Sauce.
Their Sauce.
At Papa John's our sauce is made from fresh vine-ripened tomatoes, just like you'll find in the finest Italian restaurants. We would never use the remanufactured dehydrated paste some of our
Carryout Special
One Large
Two Toppings
Carryout Only
$7.99
Grand Papa
One Extra Large
Two Toppings
$10.99
PAPA JOHN'S
Expires 4/26/98.
Not valid with any other offer.
Valid only at participating locations. Customer pays all applicable sales tax. Additional toppings extra.
One Large
with The Works.
OR All the Meats.
$10.99
Family Special.
One Large
with The Works.
& One Large
Two Toppings
$16.99
BETTER INGREDIENTS
BETTER PIZZA
PAPA JOHN'S

PJ 00180



Papa John's original dough is always better. We use clear filtered water so the crust rises perfectly every time. What do most of the other chains use? Whatever happens to come out of the tap.

Our Way. We Use Clear Filtered Water.

Their Way. They Use Whatever Comes Out Of The Tap.

Papa's Choice.™ One Large Up to Five Toppings **$10.99**

Dinner for Two One Large Two Toppings, an Order of Cheesesticks & Two 20oz. Bottles of *Coca-Cola® classic* **$13.99**

Available in Thin or Original Crust
Expires 4/28/98.
Not valid with any other offer.
Valid only at participating locations. Customer pays all applicable sales tax. Additional toppings extra.

PAPA JOHN'S

Available in Thin or Original Crust
Expires 4/28/98.
Not valid with any other offer.
Valid only at participating locations. Customer pays all applicable sales tax. Additional toppings extra.

PAPA JOHN'S

One Large One Topping **$8.99**
OR
Two Large One Topping **$14.99**

Available in Thin or Original Crust
Expires 4/28/98.
Not valid with any other offer.
Valid only at participating locations. Customer pays all applicable sales tax. Additional toppings extra.

PAPA JOHN'S

Two Extra Large One Topping **$16.99**

Expires 4/28/98.
Not valid with any other offer.
Valid only at participating locations. Customer pays all applicable sales tax. Additional toppings extra.

PAPA JOHN'S

BETTER PIZZA
PAPA JOHN'S

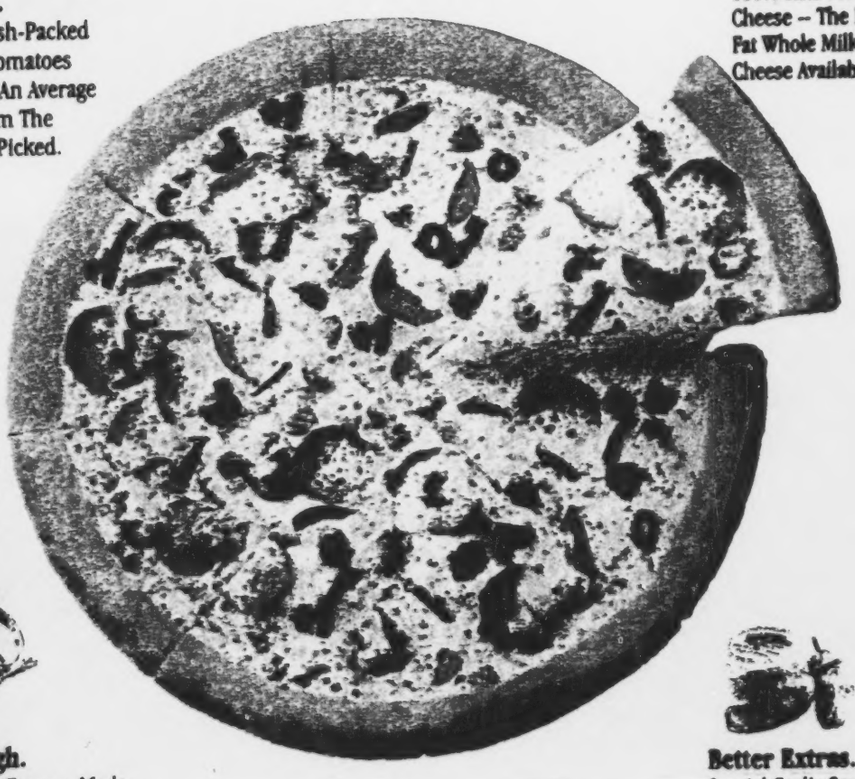
100a

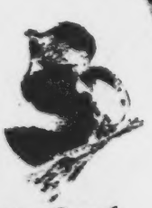
PJ 00181

Better Ingredients Make A Better Pizza, Every Time.

Better Sauce.
Made From Fresh-Packed Vine-Ripened Tomatoes Canned Within An Average Of 6 Hours From The Time They Are Picked.

Better Cheese.
100% Real Mozzarella Cheese -- The Lowest Fat Whole Milk Cheese Available.





Better Dough.
Fresh -- Never Frozen. Made With Clear-Filtered Water And Hard Red Spring Wheat Flour.

Better Extras.
Special Garlic Sauce And Fresh Pepperoncinis.

PIZZA PAPA JOHN'S

Better Ingredients.
Better Pizza.

BETTER INGREDIENTS. BETTER SAVINGS. INSIDE.

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